1.1 Just the facts, please

THE YUKON TOURISM BUSINESS FACT SHEETS are designed to give you, the entrepreneur, basic information to help turn your ideas into a successful business. The fact sheets deal with important issues, choices and decisions you may face along the way.

The fact sheets are arranged in three sets:

1. The Tourism Industry
an introduction and overview

2. Essential Research
overview of the planning/research process together with some fundamental considerations for your business

3. Business Planning
an introduction to the various components of business, financial and marketing plans

Some entrepreneurs may decide to take a copy of each sheet–others may only be interested in a few specific subjects. In either case, the sheets act as a starting point. From here, you can go on to gather more of the information you need to succeed.

Following is a brief overview of the contents of the different fact sheets.

1. THE TOURISM INDUSTRY

1.1-Just the facts, please — This, the first fact sheet, is an overview of the series, with a brief synopsis of the contents.

1.2-The big picture — This is an overview of the tourism industry. It looks at its global dimensions, the various tourism sectors, growth and developing trends. It will help entrepreneurs place their ideas in context and take a view to the future of the industry.

1.3-Who's who & what's what — This sheet looks at the roles and information sources in the industry. It looks at the various industry, government, regional and sectoral groups and associations that can provide the entrepreneur with valuable assistance.

2. ESSENTIAL RESEARCH

2.1-Start with a plan — A schematic overview of the steps you will need to take to bring your idea to successful implementation. A key component in many of these steps is research: an organized, systematic approach to gathering the information you need along the way.

2.2-Land and location — Land categories and rights and how to acquire them. This sheet discusses the various land ownership options and the legal status of lands in the territory, as well as other issues that will have a bearing on where a business should be located.

2.3-Playing by the rules — Regulations and permits that every tourism entrepreneur should know about. This sheet also provides a basic checklist of permits, regulations, licenses and inspections that a tourism business operator may be expected to know about, arranged to indicate their likely impact by tourism sector. Contact information is also included.

1.1 Just the facts, please

3. BUSINESS PLANNING

3.1-Write a business plan This sheet presents the business plan as a road map to guide entrepreneurs as they build their business ideas. It discusses self-assessment, quick feasibilities, research, and the actual preparation and implementation of the plan.

3.2-Packaging & partnerships Options and opportunities for working together. This sheet highlights the advantages to entrepreneurs of packaging their products or working together with a partner in both traditional and non-traditional ways.

3.3-Human resources The most important resource of any business is its people. Businesses can fail or succeed based on the quality of the service provided by its people. This sheet discusses the entrepreneur as the key resource of any business as well as issues around hiring, managing and training staff.

3.4-Up and running This sheet is about implementing the business plan–actually getting a business up and running. It deals with issues such as the timing and sequence of business considerations and avoiding common pitfalls.

3.5-Write a financial plan This sheet will help entrepreneurs get started on establishing and managing financial targets. It discusses sales projections, cash flow, accounts and looks at the questions that must be answered in the plan.

3.6-Where to get money Obtaining financing from financial institutions and other sources. This fact sheet examines the notion of "selling" a plan to potential backers or lenders. It also looks at the various kinds of financing available.

3.7-Minding your business This fact sheet looks at accounting and bookkeeping for the entrepreneur. It discusses the basic principals behind administering the business effectively and productively.

3.8-Marketing 101 There are a number of sheets on the subject of marketing. This one forms an introduction to the subject, addressing the difference between marketing and advertising and illuminating the 9 p's of marketing.

3.9-Market research This sheet discusses how an entrepreneur goes about gathering the information needed to put business and marketing plans together. It approaches market research in terms of questions that need to be defined and then answered.

3.10-Write a marketing plan All the key elements of marketing are brought together in the marketing plan. This sheet discusses the various components of a marketing plan and its importance as a tool for the entrepreneur to raise financing.

3.11-Developing your product This sheet looks at the issue of tailoring products to the market. It discusses the need to address tourist's wants with a clearly defined product/service.

3.12-Channeling your business How to fit a new business into the tourism marketplace. This sheet examines the various "selling" options: selling directly or through the travel trade. It also discusses the commission system and specialty channelers.

3.13-Communicating with your customers This is the area of marketing often referred to as advertising and promotion. Communicating with customers goes beyond mere advertising, however, and is something most entrepreneurs will deal with on a day to day basis.

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1.2 The big picture

It's a global industry

TOURISM IS A GLOBAL INDUSTRY involving 1 out of every 15 people on this planet. It has experienced tremendous growth in the last 40 years, and is considered the number one industry in the world. Tourism has also seen steady growth in the Yukon. It is estimated that in 1996, $124 million and over 2000 jobs was directly generated by non-resident tourism.

What is the industry?

But what exactly are we talking about when we say "tourism Industry?" To put it simply, it is that whole mix of businesses and agencies that works together to serve the needs of people who travel. Some do this directly, such as bus companies, motels and wilderness guiding companies. Some do this indirectly such as advertising agencies, consultants and government bodies.

Travel versus tourism

Let's be clear about the terms "travel" and "tourism." For our purposes, they mean the same thing. Travel/tourism is what happens when people take trips to places away from their home community for any reason except the daily trip to work. The term tourism includes business travel as well as travel for pleasure.

Finding your place

While individual businesses do operate separately and competitively, the fact remains, they are dependent on each other for success. After all, the wilderness tour operator needs the services of airlines, restaurants and hotels among others, to get his clients to his door. Recognition of this interdependence has resulted in the development and sale of travel packages. It is helpful to see how businesses fit into the industry as a whole by categorizing them. Generally, the industry can be divided into eight sectors. Be aware that many businesses fit into more than one of these sectors, and that the listings below are not necessarily comprehensive.

1. ***Accommodation*** *– Hotels, motels, resorts, cabins, bed & breakfasts, campgrounds, r.v. parks, hostels; the accommodation portion of hunting and fishing trips*
2. ***Sport/Adventure/Recreation Tourism*** *– ski hills, golf facilities, fishing and hunting facilities, hiking, canoeing, kayaking, rafting and dog-sledding*
3. ***Food and Beverage*** *– restaurants, dining rooms, coffee shops, fast food outlets, pubs, lounges, night clubs, cabarets, club facilities, catering operations, specialty food outlets*
4. ***Events and Conferences*** *– special events, meetings/ conferences, festivals, trade shows/marketplaces, fairs and expositions*
5. ***Transportation*** *– air carriers, motorcoaches, railways, cruise lines, car rentals, recreation vehicles, taxis, gas stations*
6. ***Attractions*** *– museums, galleries, heritage/historic sites, parks/gardens, amusement/recreation parks, interpretation centres, native/cultural tourism, industrial tourism*
7. ***Travel trade*** *– travel agencies, tour wholesalers, tour operators, tour guides*
8. ***Tourism Services*** *– government tourism departments, information centres, research services, reservation services, advertising agencies/trade press, consultant/tourism, auto clubs*

Tourism Industry Resource Centre

Yukon Tourism Industry Services Branch

1.2 The big picture

Tourism and the Yukon

The Yukon has been involved in the tourism industry for at least a hundred years. The Gold Rush brought tourists to see the newly opened country, with rail and steamer excursions offering a comfortable route to the interior. Then as now, a major challenge for tourism lay in extending the traditional, summer tourist season. That challenge continues today as Yukon operators find opportunities and develop products to attract visitors for all seasons.

Highway-based

Since the the Alaska Highway was opened in 1948, the tourism industry has been primarily highway-based. Accommodations and services grew in response to the demand along the main travel corridors and in related communities.

Growth follows demand

The growth of the industry is often associated with specific demand. In the last twenty years, for instance, there has been an increase in motorcoach traffic due to growth in the Alaska cruiseship market. Also recent is the growth of non-highway tourism, particularly wilderness and adventure tourism, plus convention business and sports tourism.

Recent developments

Tourism is a dynamic industry. In recent years, as the number of American visitors to Yukon has declined, the number of European visitors has increased. The number of Canadians has stayed constant. The average age of tourists to the Yukon is decreasing, as the European visitors tend to be younger. It should be noted that many of Yukon's attractions are passive (sightseeing, museums) and don't necessarily meet the current demand for more active pursuits. With these emerging trends, activities or "things to do" are critical to a successful tourism industry.

Demographics

Demographics is a key factor that drives change in the tourism industry. Demographics is the statistical study of specific populations. Our North American population is aging – a greater number of people are joining the older age group as a percentage of the overall population. This is a "demographic change". The Conference Board of Canada's Travel Forecast 2000 predicts that pleasure travelers will be better educated, well traveled, part of the "baby boom" generation, and healthier. They may be willing to spend more, be more adventuresome, and will want "authentic" experiences as much as rest and relaxation. More young families will travel but favor shorter vacations. People in these groups will want products that include cultural and heritage tourism, aboriginal tourism, animal watching, photography, and family renewal experiences.

Customer demand

The change in demographics is affecting customer demand patterns. The fastest growing sector in the industry is Sport/Adventure Tourism. What these travellers are seeking are trouble-free experiences that will add value to their lives. They want experiences that combine romance with culture, education and adventure. Yukon operators have been quick to capitalize on their unique position in being able to offer wilderness adventure. The territory is also well positioned to capitalize on the growing interest in winter tourism products. These products appeal to the more experienced traveller seeking new or different experiences in less crowded conditions. Aboriginal tourism products are also an emerging demand with travellers who are seeking authentic cultural experiences. These travellers want to meet and interact with the culture in a first-hand, un-staged manner. Once again, Yukon has great natural potential in this market.

Yukon growth potential

Yukon is uniquely positioned to take advantage of these opportunities simply because many of its natural attributes are in sync with emerging trends. In order to grow new businesses in these sectors, entrepreneurs will need to focus their efforts on market research that identifies the needs and wants of this emerging market. Then, the work of developing new tourism products to the quality level demanded by international travellers, can begin.

FOR MORE INFORMATION

Boom, Bust and Echo
David K. Foot, 1996, Macfarlane Walter & Ross

Travel Forecast 2000
David Redekop, 1997, Canadian Tourism Research Institute

1.3 Who's who & what's what

Numerous support groups in the tourism industry

IF YOU'RE NEW TO THE TOURISM INDUSTRY, one thing can be said with certainty: you're not on your own. There are numerous industry and government groups that help, promote, enhance and provide assistance to tourism businesses. Many depend on their membership and contributions to function properly. Others are out there working on your behalf whether you know it or not.

Canadian Tourism Commission

The **CTC** is a working partnership of tourism industry businesses and associations, provincial and territorial governments and the Government of Canada. Its aim is to ensure the continued profitability of the tourism industry by positioning Canada as a desirable travel destination. It does this by providing research and other information to the industry. The commission is made up of industry representatives from across the country. *8th Floor West, 235 Queen St., Ottawa, ONT K1A 0H6 (613) 946-1000*

Yukon Government

The Yukon Government's Department of Tourism works for you in a number of ways and on several levels. The department's overall objective is threefold:

- to stimulate and sustain economic growth and employment through the development of the tourism sector in Yukon
- to preserve, develop and interpret the Yukon's historic resources
- to enhance growth of visual, literary and performing arts

Department of Tourism

Within the Department, various branches have their own responsibilities. These include:

Industry Services Branch

Provides support for tourism businesses in two ways. First, it conducts specific tourism-related research with a view to new business opportunities and disseminates general tourism information. Second, it works to facilitate and advise on tourism issues and opportunities. The Tourism Industry Resource Centre provides research tools and guidance in the form of books, reports, periodicals, audio-visual materials, and electronic databases. The Centre also provides internet access to help you locate the information you need. *The Tourism Business Centre, 100 Hanson St., Whitehorse (867) 667-5449.*

Arts and Cultural Industries Branch

Develops programs and policies to support the performing, literary and visual arts in the Yukon, including book and periodical publishing, sound recording, film and video production and location marketing, arts and crafts commercial production and new media development. *(867) 667-8587*

Heritage Branch

Ensures that Yukon's heritage resources (archeology, palaeontology, historic sites, museums, geographical names and Beringia Centre) are properly researched, managed, protected, developed, and interpreted. *Contact their office in Whitehorse at (867) 667-5386.*

Marketing Branch

Develops and implements strategic tourism marketing programs to increase tourism and per capita expenditure. It deals with issues of advertising, public relations, promotion, travel trade and information services. *Located in the Tourism Business Centre, (867) 667-3053.*

Yukon Tourism Marketing Council

Functions as an advisory body to the Minister of Tourism, providing advice on marketing policies, objectives and strategies to generate economic benefits. *Tourism Marketing Branch, (867) 667-3053.*

Umbrella Groups/ Associations

These are the groups and associations that serve the aims of the tourism industry in general, irrespective of type of business or location. They are either national or territorial in scope. They include:

Tourism Industry Association of Canada

TIAC is the recognized industry representative and authority for national tourism policies which enhance Canada's tourism industry. Membership benefits include: mailings and publications, insider information on research and partnerships, discounts to National Conferences and Forums. *130 Albert St., Ste. 1016, Ottawa, ONT K1P 5G4 (613)*

Tourism Industry Association of the Yukon

TIAY gives the Yukon industry a common voice in influencing, promoting and developing tourism in the Territory. It seeks to ensure the prosperity of tourism for the good of all stakeholders.

1.3 Who's who & what's what

Membership benefits include lobbying efforts, inter-industry communication, annual conferences, Vacation Guide advertising discounts, members directory, newsletter, Internet links, e-mail service, mastercard/visa discounts, insurance packages, consumer show participation, fuel discounts, slide library, and brochure display. *1109 First Ave., Whitehorse, YT Y1A 5G4 (867) 668-3331*

Yukon First Nation Tourism Association

YFNTA is dedicated to promoting and maintaining the cultural integrity of first nation tourism. It helps develop positive working relationships between YFNTA, communities, industry and government. Membership benefits include members directory, newsletter, e-mail service, group media and printing discounts. *PO Box 4518, Whitehorse, YT Y1A 5G4 (867) 667-7698*

Canadian Tourism Human Resource Council

CTHRC, supported through Human Resources Development Canada, works with Provincial/Territorial councils to provide nationally accepted credentials, develop training materials and promote the industry as a viable career option. *170 Laurier Ave. West, Suite 1104, Ottawa, ONT K1P 5V5 (613) 231-6949.*

Yukon Tourism Education Council

YTEC is a territorial education council that fosters the industry-led development of a professional tourism workforce through education and training. The council develops and implements standards and certification programs. It also works with Yukon College and private trainers to develop programs for Industry needs. *C-202 Strickland St, Whitehorse, YT, Y1A 2J8 (867) 667-4733*

Canadian Association of Convention and Visitor Bureaux

The **CACVB** works to raise the level of professionalism in the industry through awareness, education and the exchange of information. *c/o Tourism Winnipeg, 25 Forks Market Rd., Winnipeg, MAN R3C 4S8 (204) 943-1970*

Yukon Convention Bureau

The **YCB** promotes the Yukon as a convention destination and connects convention planners with members. *101-302 Steele St., Whitehorse, YT Y1A 2C5 (867) 667-7545*

Regional groups

These groups promote and stimulate tourism within specific Yukon regions. These include:

Gateway Tourism Association

GTA promotes and stimulates travel in southeast Yukon, by working with local operators to unify the region's marketing approach. *Box 590, Watson Lake, YT Y0A 1C0 (867) 536-7712*

Klondike Visitors Association

KVA focuses its promotional activities in Alaska and Yukon. The association operates three of Dawson's major tourist attractions and manages special events to attract visitors. *1102 Front St., Dawson City, YT Y0B 1G0 (867) 993-5575*

Silver Trail Chamber of Commerce & Tourism Assoc.

STCC&TA was formed to promote tourism and enhance attractions in the Mayo region. It lobbies government on behalf of area tourism businesses. *c/o Village of Mayo, YT Y0B 1M0 (867) 996-2317*

Sectoral groups

These are groups made up of similar types of businesses, working together to promote and enhance the attraction of their businesses. They include:

Bed and Breakfast Association of the Yukon

A non-profit organization that provides a unified voice for and promotes public awareness of the bed and breakfast industry. It seeks to develop and maintain high standards and also provides a referral service. *Box 5233, Whitehorse, YT Y1A 4Z1 (867)667-2161*

Northern Network of Bed and Breakfasts

Links bed and breakfast businesses in Alberta, British Columbia, Yukon, Western NWT and Alaska. The network provides referrals, free exchange service, tourist brochure, and advertising. *PO Box 954, Dawson City, YT Y0B 1G0 (867) 993-5644*

Wilderness Tourism Association of the Yukon

Presents the views of Yukon wilderness tourism businesses on tourism and environmental matters. *Box 3960, Whitehorse, YT Y1A 3M6*

Yukon Outfitter's Association

A voice for outfitters to address issues of concern related to guided hunting. *PO Box 4548, Whitehorse, YT Y1A 2R8 (867) 668-4118*

Yukon Chamber of Commerce

A collective voice for the Yukon's business community. It works to create a climate conducive to strong private sector economy. *201-208 Main St., Whitehorse, YT Y1A 2A9 (867) 667-2000*

2.1 Start with a plan

The role of planning

EVERY BUSINESS STARTS WITH AN IDEA, a dream or a vision. What must you, the entrepreneur, do with the idea to bring it to implementation? Well frankly, if you're serious about the success of your venture, a lot of work. There is no need for you to be intimidated by this work, but you also don't want to do more than you have to. And that's where planning comes in. The process of planning will show you what you can expect of your business and if it is likely to be successful. Most importantly, it can help you to decide whether or not to proceed with your business idea before you have made major commitments of time and money.

What a good plan will do

A good plan identifies opportunities, outlines ways to capitalize on them and develops an implementation strategy for the best alternatives. A good plan is always written out. The more you write, the more you will clarify your ideas – both good and bad – in your own mind. You will come to see where the planning is weak and where it is strong.

The elements of research

One kind of work that you will be doing again and again in planning, is research – whether it is preliminary, basic, marketing or other research. Don't be put off by the scientific sound of this term. Research is nothing more than making a diligent effort to find answers to your questions. You can break most research down into these four elements:

1. start by clearly stating your business idea
2. formulate your questions – or state the problem – clearly, to test your idea
3. choose the sources that will best provide the answers
4. decide which answers are the most relevant and analyze them.

Start with an idea

You begin your research by stating your business idea in such a way that it will give you specific things to look for. Write this down so that you can identify the information you need. Your statement goes to the heart of your business idea, and might be something like this: "My bed & breakfast will cater largely to older couples who like to be pampered but are fit and active and will be drawn to the day-hiking and bird-watching opportunities at my location."

Test your idea

Now determine the kinds of questions you need to ask to test the truth of your statement. When formulating your questions, be as specific as possible. Ask what age group is most likely to use your bed & breakfast, what will they be willing to pay, what are other b&b's charging, how many bird-watchers fall into this group, is this really your market and how can you reach them?

Choose your sources

Your sources can be quite broad and include friends and other business people. A good, comprehensive source is the Tourism Industry Resource Centre. Others include your local public library, the business department and other resources of Yukon College, Yukon and federal government departments and agencies, the Business Development Bank of Canada, the internet, trade publications, statistical reviews, industry associations, and chambers of commerce.

Analyze relevant answers

When you have assembled your information (the data) go back to your original questions and assess whether or not you can answer them all. If not, dig some more. If you do have enough, examine it to decide how good it is. Few of us are expert enough to determine which statistics or studies are reliable and which are not. So, one way to hedge your bets is to get as much data as possible, from a variety of sources. This is especially true of the data that answers your most important questions. Then, using your own common sense, look at it critically. Does it sound too good to be true? If this were so, why isn't somebody else already capitalizing on it? Does the information come from only one source? Does the source have a vested interest? Finally, draw your conclusions. These are, in fact, the answers to your questions and will either support or not support your original assumption.

continued pg. 4

1. Define your idea

- prepare a clear, written definition of your business idea
- make it as precise as possible and no more than a few sentences long – this will be your "mission statement" that states what you do, how you do it, who you do it for and why you do it

An example of a Mission Statement:

Riverside Bed & Breakfast will provide superb accommodations for older but active North American travellers. Our appointments will be up-scale, the decor rugged but very comfortable and the food of four-star quality. Our pristine setting overlooking a bird sanctuary offers exceptional bird watching and walking opportunities that will leave our customers with experiences and memories far beyond the b&b norm.

PRELIMINARY EVALUATIONS

2. Evaluate your idea, capabilities, and business environment

(refer to fact sheets: 2.2, 2.3)

- identify your strengths and weaknesses and the opportunities and threats to your business idea – be honest about weaknesses and outline plans to correct them
- do a resource inventory for your area of the tourist attractions, services and infrastructure that can help support your business – or hinder it
- analyze the competition, listing their products, customer base, strengths and weaknesses – learn something from their strengths and look for opportunities for you own business
- examine your land/site requirements. Do your plans require federal, territorial or First Nations settlement land? Do a preliminary investigation of the process you may have to go through to acquire that land
- identify and list buildings, equipment or other facilities and assets your idea will require
- determine which government policies, regulations, and processes will have an impact on your idea, which permits you will require, and what time frame you will need to consider for approvals

3. Conduct preliminary market research

(refer to fact sheets: 3.8, 3.9, 3.10)

- acquire an overview of your market by talking to industry and tourism officials, and reviewing available studies and reports.
- try to identify those types or groups of people – your market segment – who will be interested in your product or business
- take an "educated guess" about who your ideal customer is
- write up a simple profile based on this ideal and gather basic statistical information about them such as origin, income levels, numbers, sex & age, interests, and spending patterns.
- look for answers to the question – does a market exist for my idea?

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planning steps inv
your business idea
both a guide an
Ask yourself if you
to take all the step
for success. If so,
and grab a penci

7. Start up your business

(refer to fact sheets: 3.3, 3.4, 3.7)

This is what happens when you do the work outlined in your Business Plan. It includes:

- raising capital
- acquiring approvals & permits
- setting up your accounting systems
- acquiring or developing location and equipment
- developing your product and engaging in your marketing activities
- hiring and training staff
- managing your business

6. Write a business plan

(refer to fact sheets: 3.1, 3.2, 3.5)

Developing your business plan is where real commitment starts. This is a written statement of your goals, objectives, business strategy and action plans for carrying out that strategy. It shows the steps involved in starting and operating your business. It is a document you will use to raise capital. It is an outline of your proposed activities and plans.

The business plan is a collection of other plans - your marketing plan, financial plan and implementation plan. To develop these plans, you will need to know some fundamental marketing concepts, research your market, develop your product, consider channels of distribution, write a marketing plan. In addition, you will need to revisit your estimates and reformulate them into a full-fledged financial plan. All these are addressed in the remaining fact sheets in this series. When your business plan is complete, take a deep breath and make the "Go - No-go" decision.

THE REAL WORK BEGINS

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roll up your sleeves
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5. Do a feasibility and viability analysis

In the light of everything you have learned so far answer these two questions:

1. Is it feasible?

- can you do everything that is needed to launch your business - raise the finances, acquire the permits, raise the infrastructure, market the product, meet the time frames, manage the business and do the work?

2. Is it viable?

- will this business develop, grow and make money? When you apply your broad estimate of costs and sales, are sales greater than your operating costs? - is there a profit?

When you've done you're assessment, you may decide on one of the following:

A-proceed with your idea (2 yeses)
B-forget about your idea (2 noes)
C-change your idea (1 yes, 1 no)

If you decide "A", it is time for you to make a commitment both personally and financially
If you decide "B", congratulate yourself for not making such a commitment prematurely
If you decide "C", go back to #1 and start the planning process again with your new ideas

CRITICAL DECISIONS

4. Calculate your costs, sales and income

(refer to fact sheets: 3.5, 3.6, 3.11, 3.12)

- identify the product/service your are able to offer in the light of what your customers are likely to buy
- write down every activity, product and service that you will be offering
- cost out each component to arrive at a rough cost and selling price
- estimate your sales for the first three years
- do some calculations to get an idea of your start-up costs, equipment or building costs, and annual operating costs for three years
- make a calculation of how much capital you will need to raise

2.1 Start with a plan

A good place to start

One of the best sources of hard information is the Tourism Industry Resource Centre, upstairs in the Tourism Business Centre, 100 Hanson St., Whitehorse. As well as many published sources, the library offers internet access with links to specific web sites that can provide you with research information. Another resource is the Canada Business Service Centre at 201-208 Main St., Whitehorse. This is a joint initiative of the Yukon Chamber of Commerce and the federal and territorial governments. It is specifically aimed at helping entrepreneurs to start or expand their businesses. The centre has a resource library, information and access to various programs and initiatives, internet access, and searchable data bases and directories.

More resources

From there, stops at industry associations like the Tourism Industry Association of Yukon, regional groups and sectoral groups *(see fact sheet #1.3)* would be in order. The Business Development Bank of Canada, Dana Naye Ventures, and your local chambers of commerce are also sources of information. One final note for young entrepreneurs–those from high school age to 30–be sure to get in touch with the Yukon Entrepreneurship Centre Society. This business-education partnership offers resources, mentoring, training, and even financial aid for training.

The Public Library

If you are unsure where to go as a first step in your research, or are starting your research outside Whitehorse, then go to your local public library. Any librarian will be happy to answer your questions. Besides the resources of their own catalogues, libraries also have a Co-operative Catalogue which lists publications from the libraries at Yukon College and government departments. All can be accessed with your public library card. If you require a publication that is not listed in any of these catalogues, the library can usually acquire it from outside the territory through their inter-library loan program with the provinces. In addition, most Yukon public libraries now offer free internet access as well as word processing computer facilities.

What about primary data?

The foregoing are all sources of what is known as secondary data–that is, information that you did not produce yourself. Sometimes, the information you need can only come from primary data. This can be gleaned from questionnaires, polls, surveys, and product samplings. These techniques require a fair amount of time, energy and skill if you are to achieve reliable results. If you think your business idea requires this sort of primary data, then by all means research this avenue. The Self-Counsel Press book *Look Before You Leap: Market Research Made Easy*, contains several chapters on developing and conducting surveys. Alternatively, you can seek professional help from a strategic business-planning consultant or research firm.

FOR MORE INFORMATION

Tourism Industry Resource Centre
(867) 667-5449
web site: www.yukonweb.com/government/tourism/tirc

Business Development Bank of Canada
(867) 633-7510 or toll-free 1-800 661-0543
web site: www.bdc.ca

Dana Naye Ventures
(867) 668-6925or toll free 1-800 661-0448

Tourism Industry Association of the Yukon
(867) 668-3331
web site: www.yukonweb.com/tourism/tia

Whitehorse Public Library
(867) 667-5239

Yukon Chamber of Commerce/
Canada Business Service Centre
(867) 667-2000, (867) 633-6257 or toll free 1-800 661-0543
web site: cbsc.ic.gc.ca

Yukon College
(867) 668-8800 or toll-free 1-800 661-0504
library: (867) 668-8870
library on-line catalogue: 199.247.148.81

Yukon Economic Development
(867) 667-5466, library (867) 667-5818

Yukon Entrepreneurship Centre Society
(867) 393-3574

2.2 Land and location

Location related to your market

WHERE YOU LOCATE YOUR BUSINESS will depend on the type of operation you are proposing and the customers you are trying to attract. Usually, it will be a key element of your business plan. Your choice will be directly related to your market. Your market research will help you make choices by establishing the necessary criteria for your location – in other words, your location will be market-driven.

Four important considerations

Many businesses can start up without having to acquire land, by simply renting or leasing available premises. This is particularly true in larger communities and for tourism businesses that require office or retail space. If you decide that you do need land, however, there are four things you should pay particular attention to:

- Services (water, septic/sewage, power, telephone) available at your chosen site. When choosing between serviced and unserviced lots, find out the current cost of the service infrastructure. These services can far outweigh the cost of the land.
- Access to your chosen location. This may well be tied to the cost of services, and is most certainly tied to financial (business) success. Access routes can vary greatly, but almost all of them will have some sort of impact, and regulations governing their construction and use. Do your research and take care of all matters of access restriction and conflict before you make a financial commitment to a property.
- Mineral rights and claims. If someone has an active mineral claim on the land you are interested in, he will have access and mineral extraction rights to the property as well as the right to erect certain structures.
- Special Management Area (SMA). Your location may be a candidate for a park, protected area or other SMA. This could have a significant impact on your plans.

Land ownership categories

When you've done your preliminary site research, identified the kind of land you need, developed your business and marketing plans and matched your needs to a location, you must go look for a piece of land. There's a lot of it in the Yukon and much of it is in an undeveloped, natural state. In fact, one of our main attractions–the pristine wilderness–is a large part of what we sell to tourists. But who actually owns it and how can you go about acquiring it? Ownership of Yukon land falls into four different categories:

1. Privately owned land (including that owned by municipalities). Also known as *fee simple land*, this includes all land for which someone holds a deed of ownership.
2. Crown land is federal land and includes all of the Yukon outside the boundary of First Nation settlement land, municipal boundaries and National Parks, close to 85% of the Yukon. It is regulated by the Department of Indian Affairs and Northern Development.
3. Commissioner's Land is territorial land, transferred to and administered by the Government of Yukon and includes municipalities, Yukon parks and privately owned land. About 1.5% of the Yukon is Commissioner's land.
4. Settlement Land belongs to a First Nation under its Final Agreement. There are three different categories of settlement land. When Final Agreements are complete, Yukon First Nations will own approximately 9% of Yukon lands.

Land issues in a state of flux

Ownership and administration of Yukon land in all but the first category is undergoing change, and new policies are currently under development. The way you plan to use the land is subject to laws and policies of both the federal and territorial governments, and First Nation Settlement lands are subject to the laws and administration of the First Nation governments. Make sure you have current information by calling DIAND's Land Resources Office at (867) 667-3241. For land claims information, call the Yukon Land Claim Secretariat at (867) 667-5878.

2.2 Land and location

Getting started

If you have a specific piece of land in mind, the first step is to find out who owns and administers it. The Land Resources Branch of DIAND, (867) 667-3100, in the Elijah Smith Building in Whitehorse can tell you the status of the land–whether it is private, federal, YTG or First Nation land–and if it is available for disposition. Most communities also have a a DIAND Field Operations Office and the RMO (Resource Management Officer) will be able to help you identify your site on a map. The second step is to call the Mining Recorder for your area to check on active mining claims. In Dawson City call (867) 993-5343, Mayo (867) 996-2256, and Watson Lake (867) 536-7366. For Whitehorse and all other districts, call (867) 667-3190. The third step is to determine if your site is a candidate for a Park or Special Management Area. Call the Protected Areas Secretariat (867) 667-5261 for more information. The fourth and subsequent steps depend on which of the land categories listed below you have selected.

Consult with First Nation

Whether or not you will be operating on settlement land, it is always a good idea to consult early on with the First Nation upon whose traditional territory you are planning to locate your business. They *will* be consulted in the formal review process and their concerns will have a bearing on the outcome.

Privately Owned Land

The simplest and most direct way of acquiring land is to purchase or lease what is already privately owned (known as *fee simple* land). While this makes up only a small portion of the Yukon land base, it is generally in desirable commercial locations. Besides the newspaper ads and Real Estate agencies, research at the Lands Branch may find you a piece of privately owned property.

Check the zoning

Find out how easy or difficult it might be to change the zoning of your property, should it prove necessary for your business. This includes all properties in the Yukon, even those outside municipal boundaries, for land use must comply with YTG's *Area Development Act* and the *Municipal Act*.

Crown Land

How can you go about using crown land for your project? Start by contacting DIAND's Land Resources office where you'll be faced with several options. If you want to use the land on a short term basis, you need a Land Use Permit. This will allow you to operate over a specific period of time. The permit will also tell you what you must do to protect and restore the environment.

Purchase, lease or licence

If you need to occupy Crown land for a longer term, you must purchase, lease or licence it. If you purchase, you will have full rights like any other land owner. A lease will give you long-term rights, including the right to restrict others from using the land. A licence will allow you to construct and maintain certain services, like power lines or water systems. It won't necessarily restrict access by others. These lands are subject to The Territorial Lands Act, which regulates the use and/or occupancy of crown land, including activities such as camp establishments, road building, tree-cutting, quarrying, water use, mining, and fisheries.

Your application

DIAND administers surface rights on Crown lands, manages renewable resources (except wildlife), manages the federal government's proprietary interest in minerals and conducts environmental assessments of resource development proposals. Your application for federal land will be subject to:

Definitions

Canadian Environment Assessment Act (CEAA) – *replaces EARP (Environmental Assessment Review Process). Under this act an environmental review is required prior to disposition of federal land, or issuance of federal permits. The environmental assessment determines the environmental effects of a project in accordance with CEAA and regulations. Projects which have few environmental impacts can be screened quickly.*

Commissioner's Land – *land which has been transferred to the Yukon Government and includes municipalities, territorial parks and campgrounds and land which is privately owned. Commissioners land is administered by the Government of Yukon.*

Crown Land – *land which has not been transferred to a Yukon First Nation, the government of Yukon or disposed of otherwise. Crown land is managed and administered by Department of Indian Affairs and Northern Development.*

Federal-Territorial Lands Advisory Committee (FTLAC) – *reviews land applications to advise DIAND on their suitability. The applications are advertised, and open to public submissions, and the applicant may attend the review.*

- review by a committee
- mining claims
- criteria for type of use
- land claims selections
- environmental screening

Note: applications will not be accepted if made on lands withdrawn from disposal.

Gather your information

Dig out the business, financial and marketing plans you've written, as well as a summary of your proposed access to the land. Include all this information with your application. You will also need a site development plan and map of the area, and you will need to flag the site on the ground.

What happens to your application

Applications are first checked by DIAND to make sure there is enough information to proceed. The Lands Branch gathers all the relevant information and concerns and forwards this with your application to the Federal-Territorial Lands Advisory Committee (FTLAC), who return a recommendation to the branch. The application may then be assessed under the *Canadian Environment Assessment Act (CEAA)*. Your application can be approved, deferred or denied. If you are successful in your application for crown land, it will be sold to you at appraised market value, or leased at 10% of appraised value.

Factor enough time

This is a brief description of a lengthy process. If all goes well, you may be ready to call in the surveyors 12 months after you start the process. Factor enough time for this into your business plan.

Commissioner's Land

Most Commissioner's Land lies in and around the communities. The Yukon Lands Act regulates the sale of available Yukon lands. It classifies the lands, determines land parcel sizes, and sets out procedures for applying, reviewing and disposing of parcels for lease or sale.

Who manages it?

The Department of Community and Transportation Services (C&TS) manages Commissioner's Lands, and is responsible for receiving and processing land applications. It can be reached through its Lands and Property Assessment Branch at (867) 667-5232. The review process is informal, and is guided by policy statements. As such, it is changing as policy directives change.

The review process

The various guidelines and the Land Application Review Committee (LARC) terms of reference will tell you that the review process will consider:

- highest and best use
- existing zoning bylaws
- wildlife and fisheries values
- existing land users
- existing development regulations
- heritage/archaeological implications
- existing land use plans
- access

Submitting your application

Submit your commercial land application, including your research, and a well thought-out business plan. Indicate whether or not your application is privately funded, or receiving financial assistance from any government agency. Include as much information as possible with your application including your financial plan. If C&TS review and accept your application, it will be referred to LARC. If it moves successfully through the LARC process, your application will go to C&TS planning division, and/or the appropriate municipality

First Nation Settlement Land – *land belonging to the First Nation identified in a First Nation Final Agreement. Category A lands include both surface and subsurface rights. Category B and fee simple (privately owned) lands include surface rights.*

Land Application Review Committee (LARC) – *forum for technical and interest-based review and discussion of land management matters in regard to land applications. It also provides advice to the Director of Land & Property Assessment Branch.*

Land Set Aside – *refers to lands which are not reserved under the Indian Act but which are noted in Canada's land records as set aside for the use and benefit of Yukon Indian People. For instance, land has been set aside for housing and other uses.*

Lands Withdrawn from Disposal – *Crown land withdrawn from disposal by privy council order.*

Official Community Plan (OCP) – *community plan defining specific areas for development.*

Traditional Territory – *area of the Yukon which members of a First Nation have identified as their traditional territory under the Umbrella Final Agreement.*

board where it is subject to the normal review processes. Once approved, C&TS will write an agreement for sale at appraised market value or a lease agreement at 10% of market value.

How long will it take?

This process, including the municipal board review, usually takes about 9 months. Be sure to factor this time into your business planning.

Settlement Land

The total Settlement Land area for all Yukon First Nations is 41,592.21 sq km. Ownership and management of these lands will belong to the individual First Nation whose final agreement describes them. Some lands have been withdrawn from disposition by government pending conclusion of land claims.

Aboriginal rights

Class A and Class B settlement lands (which will be the majority) have a special form of tenure or *aboriginal rights*. The First Nation has the power to make laws for the use and occupation of its lands, develop management programs, and collect fees. It can lease land, and provide other third party land rights that are less than full ownership, and it will retain aboriginal rights.

Contact First Nations directly

If you are interested in land owned by a First Nation, or simply plan to locate your operations within a First Nation's Traditional Territory, direct your inquiries early in the planning process to the administration of the appropriate First Nation. This should be done as a courtesy, whether or not you have a legal requirement to do so. As with other governments, First Nations have an interest in–and value–the economic health of their community. Address your initial correspondence to the Chief and Council. *(see Fact sheet 2.3 for contact information)*

For more information

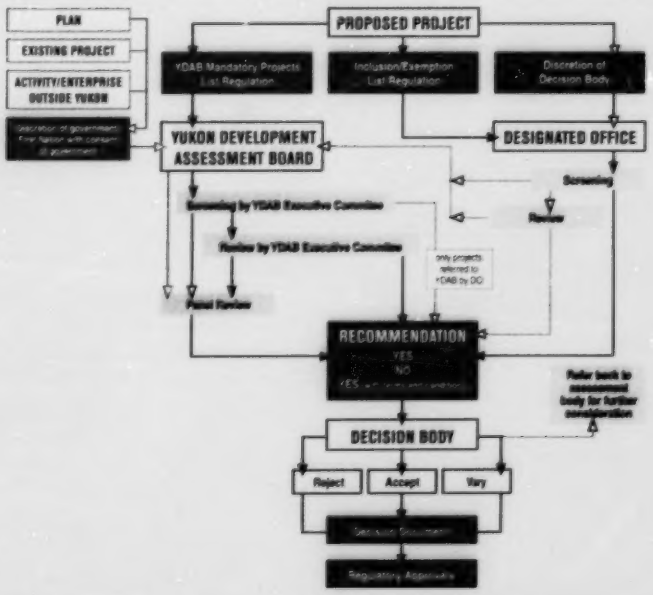
A good reference for more information is *Understanding the Yukon Final Agreement, a Land Claim Settlement Information Package*, available at the Tourism Information Resource Centre (867) 667-5449 or the Yukon Land Claim Secretariat, (867) 667-5878.

Other considerations

Planning boards do exist in a number of municipalities, and a formal development process is in place for certain communities. Make sure that you investigate any requirements this process may demand of your proposal prior to any land application you make. Whitehorse, for example, will likely support only those land applications that fall within its Official Community Plan. Requests for variances are sometimes granted, however.

Overview of the: Development Assessment Process

DAP is a new, universally applied assessment process that will affect Settlement and non-Settlement Land. It will apply to all projects, to determine whether or not the proposed activity or project will cause damage to the land, air, water, people or wildlife of the Yukon. It will also apply to proposals that will significantly change existing Yukon projects, and to outside projects which may impact the Yukon. There is some overlap with the Canadian Environmental Assessment Act.



2.3 Playing by the rules

Rules and regulations

THERE AREN'T MANY THINGS in life you can say with certainty, but here's one of them: if you start a tourism business there are rules and regulations to follow and permits you will need.

Allow enough time

Permitting, regulations and laws consume time and energy – be sure to factor this into your planning. Financing, insurance and liability coverage may well depend on the proof of compliance with permitting and regulations. Allow yourself plenty of time to deal carefully with the applications and regulatory processes that relate to your business to ensure a smooth business startup.

Short term activity

In the previous fact sheet, we have looked at some of the processes involved in land acquisition. Remember that under the *Territorial Lands Act*, you must first obtain a lease or an agreement for sale before any land use or occupation. There are other land issues as well. You may need to use federal Crown land for only a short period of time, or for temporary occupancy. This would be the case, for instance if you need to set up a camp or have access for road construction. The *Territorial Land Use Regulations* require you to get a land use permit for such short-term activity.

Class A & B permits

Most activities will require a Class A or Class B land use permit. Class A permits are required for all significantly large operations or operations in areas of interest to a community. Class B permits are needed for small operations. An explanation of the activities requiring land use permits can be found in the *Territorial Land Use Regulations*. A copy of these regulations and the Land Use Permit Applications can be found at the DIAND Field Operation Offices. Land use permits may be subject to screening under the *Canadian Environmental Assessment Act (CEAA)*.

Environmental assessments on federal land

The Northern Affairs Program of DIAND is responsible for managing minerals, water, forests and most of the land in the Yukon. Under the CEAA, the Government of Canada is required to conduct environmental assessment on specified projects. These include federal government projects, federally funded projects, disposition of federal land and federal authorizations such as land use permits, water licences and timber permits. A complete explanation of this process can be provided by the Land Resources Branch of DIAND (867) 667-3241.

Territorial land

Land use authorizations for Commissioner' Land – land under Yukon Territorial Government jurisdiction – can be obtained from the Land and Property Assessment Branch of Community and Transportation Services (867) 667-3453.

Settlement lands

If you will be operating on land owned by a First Nation, or considered part of its traditional territory, be sure to contact the administration of the appropriate First Nation. The First Nation may enact laws regarding use of its lands, develop management programs and collect fees.

Fuel wood and fire permits

Both Federal and Territorial offices provide fuel wood cutting permits and fire permits, for the land within their jurisdictions. Acquiring these permits will educate you about the restrictions regarding open fires and wood cutting. Within the City of Whitehorse, the Fire Marshall issues fire permits.

On the waterfront

The *Yukon Waters Act* (federal legislation) requires you to have a water licence if you plan to use, divert or discharge water, or to deposit waste into water. Activities considered under the act include water use, crossings, pipelines, erosion control, interference with existing water usage, potentially adverse environmental effects and the construction of bridges, culverts, and docks. Refer to the *Yukon Waters Act and Regulations* for specific information about licence types and/or notifications. Information and applications for a water licence can be found at the DIAND Water Resources office in Whitehorse, or the Yukon Territory Water Board (867) 667-3980. First Nations Final Agreements also have rules affecting commercial use of waterfront bordering settlement land. If your proposal borders such land, contact the appropriate First Nation.

2.3 Playing by the rules

THE TOURISM BUSINESS FACT SHEETS – *ESSENTIAL RESEARCH*

Navigable waters

If your project includes plans for work on navigable waters, the Canada Coast Guard, Navigable Waters Protection Division must be informed. They must approve any such plans, including the removal of abandoned vessels and wrecks. Call Fisheries and Oceans in Victoria, 1-800 667-2179.

Building standards

There are a number of Acts regarding construction integrity and standards. These include the *Yukon Fire Prevention Act, Building Standards Act, Electrical Protection Act, Gas Burning Devices Act,* and *Propane Gas Act.* Codes and regulations accompany this legislation, and both new and old building premises must meet these codes. New construction and renovations will require permits and inspections, as may older buildings in many situations. Your business may be closed if you fail to comply with inspection requirements, as administered by the Public Safety Branch of Community and Transportation Services (867) 667-5741. If you store fuel on site you will also require a permit from this branch. Some municipalities may also have additional building standards – such as heritage building guidelines – with which you must comply.

[illegible] environmental inspections

If your business will be serving food to customers, you will need to contact Yukon Environmental Health Services. This branch conducts inspections to maintain food premise standards and potable water quality. It also deals with applications for R.V. Parks and Campgrounds, and the permitting and inspection of septic installations and sewage disposal systems (867) 667-8391.

[illegible] and signage

Depending on your location, you may need road access from a Territorial Highway, for which you need a permit, obtained from Community and Transportation Services, Transportation Maintenance Branch (867) 667-5159. This is also the place to apply for a sign erection permit, and highway right-of-way permit.

[illegible] and insurance—land & water

Drivers and vehicles must have valid and appropriate Yukon licences, registration, and insurance. Different licencing requirements will apply if you are transporting passengers or freight with your vehicle. Contact Transport Services, Community and Transport Services for this information (867) 667-5832. Transport of passengers by vessel will require an inspection by the Ship Safety Branch of Transport Canada. Call 1-800 667-3355 for referral to the appropriate official.

Employment issues

For information on employment standards within the tourism industry, you can contact the Labour Services Branch of the Yukon Justice Department (867) 667-5944. Revenue Canada will supply you with an employer number and all the information you need to deal with taxes (867) 667-8154. You will also be required to contact the Worker's Compensation Health & Safety Board and arrange for proper coverage of your employees (867) 667-5645. If you want to employ people who are not Canadian citizens contact Citizen and Immigration Canada for relevant information and procedures (867) 667-5010.

[illegible] parks

Both National and Territorial Parks must be informed of businesses wishing to operate within their jurisdictions.They have their own application procedures for business licences or permits. National Parks also require guides to be licenced. Restrictions on visitor and/or trip numbers exist in some National Parks and Historic sites.

[illegible] Tourism [illegible] Act

This legislation will make licencing mandatory for wilderness tour operators. Minimum safety, competency, and liability insurance standards will have to be met. Operators must file trip reports and adhere to low impact and waste disposal standards. Call Yukon Tourism (867) 667-5449 or Yukon Renewable Resources (867) 667-5648 for more information.

[illegible] [illegible] [illegible] Legislation

In addition to territorial and national regulations, tourism business operators must also be aware of international ones. The *European Union Directive on Package Holidays* as well as other *travel laws,* are intended to protect customers by making tour operators liable for physical injury, damage and faulty holidays. This type of legislation is only valid when a Yukon operator sells a package tour in the client's home country. It spells out an operator's obligations in regard to bank guarantees, insurance and terms and conditions of sale. He is obliged to provide complete and accurate information and supply a tour that matches that description. If a tourist experiences less than he was led to believe – or simply bad service–he may quit the trip and fly home at the operator's expense. For more information, contact Tourism Marketing (867) 667-5340.

The following is a quick-reference chart to give you an idea of the kinds of permits you may need to consider for your tourism business. Place yourself in one of the 8 tourism sectors across the top of the chart and read down to see which permits you are likely to need and which you may need. Be sure to check for other permits and regulations that may be relevant to your own business. ***This list is intended as a guide only, is subject to change and is not necessarily complete.***

◆ likely required
◈ may be required

	Accommodation	Sport/Adventure Tourism	Food and Beverage	Events & Conferences	Transportation	Attractions	Travel trade	Tourism Services	
Approval of Proposed Works (docks, ramps, etc.)	◈	◈	◈	◈	◈	◈			Canada Coast Guard, Navigable Waters Protection Division
Boiler/Pressure vessel inspection	◈		◈	◈					YTG, C&TS, Public Safety Branch
Building Permit	◆	◈	◆	◆		◆			YTG, C&TS, Public Safety Branch
Burning Permit	◈	◈	◈	◈		◆			DIAND, Field Ops, Land Resource
Whitehorse	◈		◈	◈		◆			City Fire Marshall
Business Licence	◆	◆	◆	◆	◆	◆	◆	◆	Municipality
Business Name Registration	◆	◆	◆	◆	◆	◆	◆	◆	YTG, Justice, Corporate Affairs
Commercial Timber Permit		◈							DIAND, Forest Resources
Driver's Licence		◆		◈	◆				YTG, C&TS, Transport Services Branch
Electrical Permit	◆	◈	◆	◆		◆			YTG, C&TS, Public Safety Branch
Fire Inspector	◆	◈	◆	◆	◆	◆			YTG, C&TS, Public Safety Branch
First Nations Final Agreements	◈	◆				◈		◈	appropriate First Nations
Food Premises Inspection	◈	◈	◆	◆		◈			YTG, H&SS, Environmental Health Services
Fuel Storage Permit	◈	◈	◈	◈	◈	◈			YTG, C&TS, Public Safety Branch
Fuel Wood Cutting Permit	◈	◈	◈	◈					DIAND, Field Ops, Land Resources
Gas permit	◈	◈	◈	◈	◈	◈			YTG, C&TS, Public Safety Branch
Highway Access Permit	◆		◆	◆	◈	◆			YTG, C&TS, Transp. and Maint. Branch
Highway right-of way usage	◈		◈	◈		◈			YTG, C&TS, Transp. and Maint. Branch
Income tax	◆	◆	◆	◆	◆	◆	◆	◆	Revenue Canada
Land Use permit, Fed (CEAA, DAP)	◆	◈	◈	◈					DIAND, Land Resources
Land Use permit, Territorial (LARC)	◆	◈	◈	◈					YTG, C&TS, Lands & Property Assessment
National Park business licence	◈	◈	◈	◈	◈	◈			Parks Canada
National park guide licence		◆			◆				Parks Canada
Plumbing Permit	◆	◈	◆	◆		◆			YTG, C&TS, Public Safety Branch
Potable Water Inspection	◆		◆	◆		◈			YTG, H&SS, Environmental Health Services
Salmon Catch card		◆		◈		◆			Federal, Dept of Fisheries and Oceans
Septic installation permit	◆		◆	◆		◆			YTG, H&SS, Environmental Health Services
Sign erection Permit	◈	◈	◆	◆	◆	◆		◆	YTG, C&TS, Transp. and Maint. Branch
Territorial Park Use permit		◆	◆	◆					YTG, Renewable Resources, Parks Branch
Transport of passengers by boat		◆	◈	◈	◆				Transport Canada, Ship Safety Branch
Transport of passengers by vehicle		◆		◈	◆				YTG, C&TS, Transport Services Branch
Vehicle Registration		◆		◈	◆				YTG, C&TS, Transport Services Branch
Water Licence (CEAA)	◈		◈			◈			DIAND,Land Resources/YTG, Water Board
Wilderness Tourism Licencing Act		◆			◈			◈	YTG, Renewable Resources
Worker's Comp	◆	◆	◆	◆	◆	◆	◆	◆	Workers' Compensation Health & Safety Brd.

Yukon Territory Government Offices

all mailing addresses:
Box 2703,
Whitehorse, Yukon Y1A 2C6

Community and Transportation Services
Land and Property Assessment Branch
(867) 667-5741

Maintenance and Planning
(867) 667-5452

Public Safety Branch
(867) 667-5741

Health and Social Services
Environmental Health Services
(867) 667-8391

Justice
Corporate Affairs
(867) 667-5314

Renewable Resources
Parks and Outdoor Recreation
(867) 667-5261

Worker's Compensation
Health & Safety Board
401 Strickland Street,
Whitehorse Y1A5N8
(867) 667-5645

Yukon Territory Water Board
(867) 667-3980

Canadian Government Offices

Canada Coast Guard
Navigable Water Protection Division
Suite 300, 555 W. Hastings, Vancouver,
B.C. V6B3G3
(604) 775-8868

Canadian Heritage, Parks Canada
Yukon District General Inquiries
[illegible] Main Street,
[illegible] Y1A 2B5
[illegible]

[illegible] of Indian Affairs and
[illegible]
[illegible]
[illegible]
[illegible]

Field Operations
Tagish (Whitehorse)
345-300 Main Street,
Whitehorse, Y1A 2B5
(867) 667-8078

Beaver Creek
General Delivery, Beaver Creek, Yukon
Y0B 1A0
(867) 862-7224

Carmacks
Box 132, Carmacks, Yukon Y0B 1C0
(867) 863-5271

Dawson City
Box 279, Dawson City, Yukon Y0B 1G0
(867) 996-5468

Haines Junction
Box 5370, Haines Junction, Yukon
Y0B 1L0
(867) 634-2256

Laberge
345-300 Main Street,
Whitehorse, Yukon Y1A 2B5
(867) 667-8073

Mayo
Box 100, Mayo Yukon Y0B 1M0
(867) 996-2343

Ross River
General Delivery, Ross River, Yukon
Y0B 1S0
(867) 969-2243

Teslin
Box 97, Teslin, Yukon Y0A 1C0
(867) 390-2531

Watson Lake
Box 269, Watson Lake, Yukon Y0A 1C0
(867) 536-7335

Parks Canada
Kluane National Park
Haines Junction Y0B 1L0
(867) 634-7250

Revenue Canada
Rm 120, 300 Main Street, Whitehorse,
Y1A 2B5
(867) 667-8154

Transport Canada,
Marine Safety Branch
Bag 3670,
Prince Rupert, B.C. V8J 3R1
(250) 627-0340

Yukon First Nations

Carcross/Tagish First Nation
Box 130, Carcross, Yukon Y0B 1B0
(867) 821-4251

Little Salmon/Carmacks First Nation
Box 135, Carmacks, Yukon, Y0B 1C0
(867) 863-5576

Champagne/Aishihik First Nations
Box 5309, Haines Junction, YT Y0B 1L0
(867) 634-2288

Tr'ondek Hwech'in First Nation
Box 599, Dawson City, Yukon Y0B 1G0
(867) 993-5385

Kluane First Nation
Box 20, Burwash Landing, YT, Y0B 1V0
(867) 841-4274

Kwanlin Dun First Nation
Box 1217, Whitehorse, Yukon, Y1A 5A5
(867) 633-7800

Liard First Nation
Box 328, Watson Lake, YT, Y0A 1C0
(867) 536-2131

First Nation of Nacho Nyak Dun
Box 220, Mayo, Yukon, Y0B 1M0
(867) 996-2265

Ross River Dena Council
Gen. Del., Ross River,Yukon, Y0B 1S0
(867) 969-2277

Selkirk First Nation
Box 40, Pelly Crossing, Yukon, Y0B 1P0
(867) 537-3331

Teslin Tlingit Council
Box 133, Teslin, Yukon, Y0B 1B0
(867) 390-2532

Ta'an Kwach'an Council
Box 32081, Whitehorse, YT, Y1A 5P9
(867) 668-3613

Vuntut Gwitchin First Nation
Box 94, Old Crow, Yukon, Y0B 1N0
(867) 966-3261

White River First Nation
Gen Del., Beaver Creek, YT, Y0B 1A0
(867) 862-7802

Kaska Tribal Council
Watson Lake, Yukon, Y0A 1C0
(867) 536-2805

3.1 Write a business plan

What is it?

A BUSINESS PLAN IS A WRITTEN DOCUMENT about the nature of your business, its historical activities (if any) and your plans and goals for its future. The business plan will summarize your research into all the aspects of your business idea, giving you product, marketing, finances, operational and management plans. You will lay all this material out as a "roadmap" for yourself, bankers, investors or government officials.

Benefits of a business plan

The most sobering statistics for entrepreneurs are those for business failures: half of new ventures fail in the first year; 80% in the first four years. More than anything else, the purpose of a good business plan is to keep you from becoming one of those statistics. It can do this by:

- clarifying your strategies, challenges and activities
- providing something substantive for potential investors to consider
- forcing you to make careful considerations and objective plans
- keeping you realistic about profit potentials by preparing financial forecasts
- giving you a "benchmark" against which to measure your goals. Regular evaluation of your progress in relation to your plan will be key to the success of your business.
- giving you direction in managing your business and dealing with problems as they arise

Elements of a business plan

The elements of a Business Plan are these:

- ***Historical Analysis.*** This answers the question: *Where is the business now*, and applies only to an existing business. The historical analysis primarily looks at financial performance over a period of years, but also looks at past markets, personnel and competition.
- ***Mission Statement.*** This answers the question *Where do you want your business to go?* The answer is a statement of your goals and objectives. It is important to have such a clearly defined mission so that you can be sure that all your business activities are productive.
- ***Narrative Description.*** This answers the question *How are you going to get there?* This includes a description of your market, location, facilities, competition, management and staff and the actions or steps that you will take to reach your objectives.
- ***Operating Budget.*** This answers the question *What is it going to cost*, and includes your forecast (or budgets) of results, financial position and cash flow for the next 1-5 years. These forecasts are merely the financial expression of your goals and actions, above.
- ***Financing.*** This answers the question *Where is the money going to come from?* Once your operational budget is prepared, results will show where, when and how much cash is needed. You can then analyze your financial needs together with their timing to determine the best sources, combinations and cost of financing.

The approach

Approach the writing of your plan with a clear idea of your audience—whether investors, bankers government officials or others—and tailor it to that audience. Your writing style should be as clear and direct as possible. Say how you will do what you plan to do. If you say, for instance, that your product or service will be purchased by wealthy 45-year old Americans, then say how you know they want it, how you will promote it, and how much product you will sell. Follow up all your assumptions with facts and figures. Your writing style should be positive and assertive—don't use words like *maybe, perhaps* or *probably*. And, finally, do not write more than you have to. Generally, 80 hours should be enough to put together a workable plan. This will vary widely depending on your experience, the size of your business and the size of your plan.

A note about design

When designing the document, remember that it is not a "lure" piece but a business document. If it looks flashy it may give the impression that you are covering a lack of substance with style. Ensure that there are no spelling or grammatical errors, and do not make it longer than you have to.

3.1 Write a business plan

The 7-part format

While there are variations in the format, most Business Plans consist of these 7 parts.

1. Executive Summary

This is a 2-3 page summary of your business, it's goals, plans and budgets, written after the rest of the plan is complete. It is where most investors turn first. This needs to be a well-written, thoughtful and interesting introduction to your business and the unique features it is presenting. It must include all your critical success factors and capture the interest of your reader. Remember that this is the most important part of your plan.

2. The Business

In this section you describe your business first in broad terms (providing wilderness adventures) and then specifics (4-day guided river trips down the Bluewater River). Here also you set down your company's explicit goals, whether it is return on investment or sales of so many units. If it is an existing business, refer also to the company's past strengths, problems and weaknesses.

3. Marketing Plans

These will start with an industry analysis that looks at trends and the current status of the tourism industry as well as your sector. You will want to look at the size, competition, barriers to entry or growth, financial performance and the possible affect of recent government regulations.

Next comes market analysis, an in-depth look at how you perceive the market into which you are selling. Who are you selling to? How do you segment it? Who are your competitors and what is their market share? What are your customers reasons for purchasing?

Fully describe each product, including brand names and features. Analyze your product's competitive advantages and disadvantages. Work out the costs and profits for each of your offerings, as well as the planned output and sales mix. Who are the buyers and end users? Discuss opportunities or plans for expanding or otherwise developing your product. *(see Fact sheet 3.11)*

Finally, you will come up with a marketing strategy that shows how you plan to get your product to your buyers. You must decide what groups to target, what attributes to emphasize, what distribution channels to use, who will do the selling, how you will price your product, how you will promote it and what that will cost. *(see Fact sheets 3.8 to 3.13)*

4. Management and Organization

Here you will spell out how your company is organized, its legal structure, a list of managers and owners, and how the decisions are made regardless of the formal structure. Include details of education, skills, experience, duties and responsibilities.

5. Implementation Plan

This plan details the actions and activities that are necessary for the business to achieve its goals. Establish a time line with firm completion dates to show when you need to perform each action–whether marketing, production, research, development, personnel, or finance. These actions are usually performed on a monthly or a quarterly basis. A contingency plan should also be developed for any critical risk that your business faces. Here you will list potential problems that can affect implementation together with potential solutions that will offset each of them.

6. Financial Statements and Projections

This is a dollar and cents expression of your expected future. This must be consistent with descriptions you have already made of the industry, your marketing assumptions and strategy and your implementation funds requirements. You must answer four questions here: How will the company perform? What will the cash position be? What will the financial position be? What significant assumptions did you make? You must also test your financial projections with "best case" and "worst case" scenarios. *(see Fact sheet 3.5)*

7. Appendices

This is information that doesn't fit into the body of the plan or may be distracting to the reader. It might include permits, contracts, marketing agreements, references, analysis details, etc.

Getting professional help

Consider getting advisors to help you with your business plan, especially to review and assess your major operating assumptions. Young entrepreneurs (30 and under) can get help in developing their plans through the Yukon Entrepreneurship Centre at the Wood Street Facility, Whitehorse, (867) 393-3574.

3.2 Packaging and partnership

Increasing demand and value

THE TOURISM INDUSTRY is well known for its "packaging" of tourism products together into a tour or holiday. Many tourists find buying a package tour a very convenient, economical and secure way to travel. Tourism operators can enhance the perceived value of their own product offerings when they are combined with other, complimentary products. This fact sheet looks at how you might increase the value and demand for your tourism product through packaging and partnership. You will see that there are different reasons for taking one approach or the other. Also, you may want to refer to the fact sheets on product development and channeling your business for related information.

Packaging

Packaging is the process of combining a number of inter-related tourism products and services that, together, offer a comprehensive experience for travellers. They are brought together into a convenient single product at a lower price than if they were bought separately. Packages can be and often are designed to appeal to a specific target market. The best packages offer unique, appealing experiences or series of experiences to travellers, at good value.

Benefits of packaging to tourism operators

- *opens new markets and increases sales*
- *provides an opportunity to develop sales in slow periods*
- *your product becomes more marketable when it partners with other, compatible products*
- *you share marketing costs, increasing reach beyond your own resources*

Do-it-yourself packaging

Packaging your product is something that you can undertake independently or that may be done by a tour wholesaler or other packaging professional. You can get together with other business people, work out a tour package, and market the package jointly. Components of a typical package include: attractions, events, activities, transportation, accommodation, meals, drinks and taxes. There are a number of steps involved in developing your own package, including:

- market research to identify the experiences and features your target market desires
- setting clear sales and customer expectation objectives for your package
- assessing your area attractions and traveller services. An appealing inventory of experiences, attractions and support services is necessary to sell your package
- developing a package concept, which includes setting a theme, a market position (economy, deluxe or other), and the specific products to be offered chosen on the basis of the best fit with the target market
- pricing the package. On a per-customer basis, you will need to calculate the variable costs, the fixed costs and the overhead/marketing costs. ***Variable costs*** are those that will change according to the number of customers you have on the trip. They will include meals, accommodation, admission fees, and other costs charged at a per person rate. The ***fixed costs*** are those that will not change, regardless of the number of packages sold. They may include the cost of a chartering a bus and hiring a guide or interpreter. The ***overhead/marketing costs*** are your share of the costs of developing and marketing the package. Multiply the fixed and overhead costs by 60-70% to factor for less than full package sales. Add the three costs together, add on a mark-up for profit – usually 10-15% – and you have your base package price.
- establish management and quality control systems to coordinate your plans with your package partners, establish credit policies, contingency arrangements, customer communications and tracking of results

Characteristics of a successful package

A successful package is one that is properly matched and directed to the market. It is experientially based, in keeping with today's tourism motivation trend from escapism towards enrichment. Finally, a successful package offers a unique selling proposition – an interesting experience related to your area and not available to the traveller at his home.

3.2 Packaging and partnership

Tour wholesaler packages

The most common form of packaging is tour packages put together by tour wholesalers. If your product is considered for inclusion in a tour package of this type, you will receive customers who are with a "tour company" and who have purchased a tour company's package. Your product will be one element in the package. Getting your product into this type of package will require a commitment to quality and consistent delivery along with competitive pricing. Be aware that there are also costs associated with selling your product through a wholesaler. See Fact sheet 3.11 and 3.12 on Product development and Channeling your business for more details.

Partnerships–several forms

Partnership is a general concept which can mean a few different things. In one instance, it can mean two businesses jointly developing a product for a specific market. For example, an operator that offers guided pack horse excursions into the wilderness, partners with another that offers fly-fishing clinics at a remote lodge accessible by the pack horses. Partnership may also mean a specific business arrangement between two or more people. They have entered into a formal agreement and jointly own the assets of a business that is conducted under one name. This type of partnership could be a Registered Partnership or a Corporation. A third type of partnership is a *strategic alliance* in which a group of businesses which share some common ground come to an understanding to work together to enhance the success of everyone in the group. This term is used also in reference to Government and non-government partnerships with business or with each other as they pursue promotion of tourism objectives.

Making a connection

Usually a partnership is formed around a logical connection between the products that will produce a response in the market. For instance, a wilderness tour product could be matched with a First Nation cultural tourism product at the same location. Partnerships are always formed by people who want to do business together. If you consider partnership, make sure that you are compatible with the principal people that you will deal with. This is true even if the partnership does not involve any joint ownership of business assets. It is advisable to get advice from a lawyer, accountant or consultant, and formalize your partnership in a written agreement.

A business strategy

There are good reasons to consider both partnership and packaging as a business strategy. For a new business operator, partnership can bring experience and insight into the business. Packaging can bring much needed *identification* to a new or small product. On its own in the market, your product could easily be lost in the huge crush of products being offered for sale. If, on the other hand, it is identified by something familiar, like the brand name or logo of a wholesaler, it has a much better chance of gaining recognition. Often a packaged tourism product will be far more marketable, especially outside Yukon, than a tourism product on its own.

A value-added benefit

Both packaging and partnerships can give your products a *value added* benefit. A tourism product which you have developed will have some value of its own. If you form a partnership or if your product is included in a package, the market value of the products offered together is greater than if the products were offered separately. This value can be in the form of dollar sales or it can be in the form of a stronger market demand. In either case, your business will benefit.

Costs and selling prices

There are some important considerations from a cost point of view. The total cost of the products being offered together in the package or partnership has to be within a range which will produce competitive market prices once each business has calculated the profit margin that it wants from its product. The retail price will likely be discounted once it is offered in a package to make the overall package attractively priced. This will reduce your businesses margin on a per sale basis. However, your business will benefit overall from being included in a package due to the increased volume which you will get if the package is marketed successfully. A greater volume of business spreads the fixed costs of doing business (such as management, rent, insurance) over a greater sales revenue, reducing the fixed cost which you have to cover per sale.

3.3 Human resources

The key human resource

BUSINESSES FAIL OR SUCCEED for many different reasons, but here's the main one: you. You, the entrepreneur, are the key human resource in your business, especially if it is owner operated. As such, you must examine your own strengths and weaknesses in terms of the business requirements and in terms of managing the human resources you may require. If you find a critical weakness, consider taking an appropriate course of study to offset that weakness.

Do a reality check

Be prepared to do a reality check before starting up a business. Self employed people generally work very long hours at least on a seasonal basis. Be sure that you can afford the time, and possibly lesser earning ability for the start-up phase of your business. You may have to adapt your entrepreneurial plans to allow you to retain your day job while you start up the business.

Employees are different

A reality check is also in order when it comes to hiring employees. An employee is not going to work the same way you do. In fact, there will be a substantial difference in commitment between you and your employees. Although you may need them because you can't do the work alone, employees will also bring an increase in bookkeeping, scheduling, paperwork and your time commitments.

When should you hire?

The decision to expand beyond a one or two person, owner-operated business is basically a business decision. If you answer "yes" to the following questions, then you may want to consider hiring employees.

- can you afford to have employees?
- do you have the business and potential growth?
- does your business need to grow in order to succeed?
- are you willing to give up absolute control of the business?
- will you make a good employer/manager?

An employer is a manager

As an employer, your business success will depend on managing your employees effectively. The key characteristics of a good manager are people skills, organizational abilities, and flexibility. A good manager deals with people issues before he deals with getting the job done. If you are new at management, be sure to read some of the literature on the subject, such as Self Counsel Press's *The First-Time Manager.* If you decide that you cannot be a manager you have the option of hiring or contracting a manager or management services.

Selecting the right person

The most important thing you will have to do as a manager is to select the right person for the job. Some of the steps you should go through to ensure this are:

- defining the job with a careful description, including appraisals by others who have done the job
- defining the requirements to do the job, including skills, knowledge and attitude
- rating the applicants by their resumes and interviews on a worksheet against the criteria you have defined
- checking all references
- specifying a probation period with an appraisal toward the end of that period

Employment standards and policies

For information on Employment Standards within the tourism industry, you should contact the Labour Services Branch of the Yukon Justice Department. There are also policies in place pertaining to the employment of non-Canadians and more information can be obtained from Citizen and Immigration Canada. You as an employer are responsible for all employee source deductions, and their remittance to the government. Revenue Canada will supply you with the information necessary to deal with taxes. You must also provide Workers Compensation coverage for your employees. The Yukon Worker's Health and Safety Board will help you deal with compensation coverage and fees.

3.3 Human resources

Trained or untrained?

If you hire trained people, be aware that they may have work methods which are not right for the job at hand and may have to be retrained. Be certain in the hiring process that the training which the person has is appropriate. For some jobs, starting with an untrained person will require more up front effort, time and money but may have better long term results.

Orientation and direction

Once you have a staff of employees, it is critical to manage them for success. The most important thing for you to do is to orient people to their jobs and then provide ongoing support. Do not simply throw them into a job and expect them to find the best way to do things by trial and error. Give them a clear set of objectives and then show them how to achieve them. Objectives should extend to customer service policies and procedures--how to answer the phone, how to direct inquiries, and the like. When you get feedback from your customers, pass it on to your employees. Some managers provide on-going support by writing work or performance plans for their employees and then follow these up with annual reviews.

Training is an investment

Good managers make an investment in their own future when they train their staff. The critical consideration is how to apply the skill being acquired by the employee to her job. It must be put to work to be worth pursuing. To that end, the manager must first determine that a lack of skill is the problem and not that he has the wrong person on the job. The most effective skills training programs are done step-by-step with much practice. With this approach, there is a greater likelihood of your staff *owning* skills and applying them on the job.

Staff and customer service

Your staff will be a direct link to your clients and therefore key to the success of your business. Most travellers remember the people they have met along the way. What they remember best is the level of customer service they have received. Customer service happens every time a customer comes into contact with your business, from a distance or through the front door. It comes down to you and your staff's abilities to meet those customer's real and imagined needs.

Certification and standards

In today's tourism industry, a well-trained staff is a *professionalized* staff. Security and safety are primary tourist concerns and this makes *certification* an important consideration. In fact, the potential for lawsuits or other action against tourism operators who do not provide acceptable standards of safety and security is considerable.

Customer's expectations

For many travellers, the Yukon is regarded as an expensive, long-haul destination. For a couple to visit for a two-week period including international air fare, the price tag could be upward of $6,000.00. Because it is expensive, there is a correspondingly high level of expectation of quality service. Bringing your tourism business up to "national standards" is one way of ensuring that the quality of your service is on par with your customer's expectations.

Training programs

There are several agencies that can help you achieve this goal. The Yukon Tourism Education Council (YTEC) offers tourism-related training and development at several levels varying from general programs like *Good Host* to specific skill and professional training programs. It can also provide you with job and skills standards that are useful in writing job descriptions or for in-house training. Yukon College offers professional training at the management levels in the tourism industry. YTEC and Yukon College work closely together in developing programs. One last note–you may qualify for up to 50% of training costs through the *Tourism Training Trust Fund,* administered by the Tourism Industry Association of the Yukon.

FOR MORE INFORMATION

The First-Time Manager
T.G. Tyssen, 1992, Self-Counsel Press

Tourism Industry Association of the Yukon
1109 First Ave, Whitehorse, (867) 668-3331

Yukon College, Professional Studies
Whitehorse: (867) 668-8850, toll-free 1-800-661-0504

Yukon Tourism Education Council
Ste. C-202 Strickland St. Whitehorse, (867) 667-4733

3.4 Up and running

Getting into action

PUTTING YOUR BUSINESS PLAN INTO ACTION – step 7 of *The Planning Process*, Fact Sheet 2.1 – is what *Up and running* is all about. There are many decisions to make at this stage, varying from which truck to buy to which bank to borrow from. Some decisions will be spelled out in your business plan and other decisions will have to be made as you go.

Move quickly

Your strategy now is to limit the time it takes to get to opening day and to the point where your business generates a positive cash flow. You have to identify the requirements in your plan that will take a significant amount of time and get these things rolling. If a certain permit takes three months or finalizing your bank financing will take a full month, then you must pursue these activities as soon as your business plan is finished and can be used as the basis for applications.

Use your plans as tools

There will be a logical order to your startup activities – things that have to be completed before other things can be started. Use the tools of the planning process, and review your business and marketing plans to include all the important steps in your startup order.

Develop a critical path

You can use the concept of *critical path* to help manage your time and organize your business startup. Critical path refers to the key steps that you have to take, organized in order to keep the total time required to a minimum. For example, your plan may indicate these steps are on your critical path:

- lease of land ..... 9 months
- permit for boat dock ..... 6 months
- financing in place..... 2 months
- specialized equipment ..... 3 months
- trained staff ..... 2 months

Putting things in order

Since it is likely that you will need the lease and the permits before your financing can be approved, you know that these will have to be obtained first. You can approach potential lenders in advance with a "draft" of your business plan but it will not be seriously considered until the lease and permits are in place. In turn, acquiring equipment and recruiting and training staff cannot be done until the lease, permits and financing are all in place. If the total time required for these five steps is 22 months, then this is the length of your critical path. If there is a delay with any of these steps – or you overlook an important step – then the critical path gets longer.

Positive cash flow

Cash may be your greatest concern when going through the process of starting the business. You may have only enough up front cash to last a certain period of time and so your business must start to generate more cash coming in the door than is going out before this time elapses. Also, you may have commitments to lenders or investors who are expecting a positive cash flow by a certain time. Given the seasonal nature of many tourism businesses, it will be a major advantage to get a positive cash flow in your first season of operation.

Plans are just a guide

As you go through the steps outlined in your plans, remember that they are just a guide to get you from A to B. Sometimes, you may have to adjust the plan to fit the reality of the situation. Do not be afraid to review, alter and adapt your plans as you get feedback and results. Change does occur regularly in the business environment and those changes may not fit with the projections that you made when you were developing your plan.

Legal considerations–register your business

All businesses, in whatever form, must be legally registered with Yukon's Corporate Affairs office in Whitehorse. You have up to three months to do this, but you may need to do so early on to open a bank account. If you have formed a corporation as an umbrella for a number of separate businesses, you must register the corporate name and each trade name – that is, the name under which each business is normally conducted. Corporate Affairs will search its Yukon registry to ensure your proposed name is not already in use. Corporate names are also submitted to a national search.

3.4 Up and running

Your business plan will indicate the form of business which you will use. Here are advantages and disadvantages of each form.

FORM	ADVANTAGE	DISADVANTAGE
Sole Proprietorship	• cheap, easy and quick to form • simple because there are no other people involved and you make all the decisions as and when you need to	• limits the equity available and the management capacity to your resources only • no liability protection–you could lose personal assets • personal (higher) income tax rates on withdrawal of profits
Partnership	• gives expanded resources to business over proprietorship. Still quite simple and cheap to form but a bit more complicated than proprietorship due to possible need for Partnership Agreement	• limits the equity base to partners and does not provide any legal protection from creditors or other liability • you may be liable for your partner's actions • potential for disagreement with partners • personal (higher) income tax rates on withdrawal of profits
Private Corporation	• a legally formed entity apart from yourself that has shares issued to specified people in exchange for capital investment, other consideration • Increases the ability to raise capital • provides protection to investors from business liabilities • potential tax advantages to shareholders due to (usually) lower corporate rates • can make your business more "saleable"	• while you can do it on your own, you usually require a lawyer or accountant for help • more complicated and more costly to set up • annual filing requirements and tax return requirements will create legal and accounting fees • liability protection can be "pierced" if the investors sign "personal guarantees." Banks will often require these. • a private Corporation incorporated under the Yukon or the *Canada Business Corporations Act* has shares that cannot be publicly traded. There is a limit of 50 shareholders.

Revenue Canada accounts

Your business will also have to be registered with Revenue Canada if any of the following apply:

- you are (or plan to be) an employer,
- your business imports or exports goods (or plans to do so)
- you expect to have greater than $30,000.00 in gross billings over any 12 month period

You will be issued a business account number for your employer, GST and other accounts. You will need to show your incorporation certificate or, if your business is a sole proprietorship or partnership, your social insurance numbers. A number can be issued within 24 hours.

Worker's compensation

You must also register your business with the Worker's Compensation Board if you have employees. You are required to do so within ten days of hiring. You also have the option of providing compensation coverage for yourself as a sole proprietor. Registration is immediate upon filling out the necessary forms and providing an estimate of the annual amount of wages you will be paying. This estimate is reviewed and the payment adjusted on an annual basis.

Business licence

One final legal requirement is that of a business licence from the community in which you conduct your business. If your business is located outside municipal limits, you need only ensure that it is registered with Corporate Affairs. Call your local municipal office for more information.

FOR MORE INFORMATION

Revenue Canada–*Elijah Smith Building, Whitehorse*
(867) 667-8154 or toll-free 1-800 959-8281

Worker's Compensation Health and Safety Board
401 Strickland St., Whitehorse
(867) 667-5095 (Assessment Office)

Yukon Corporate Affairs
Andrew A. Philipsen Law Centre, Whitehorse
(867) 667-5442 or toll-free 1-800 661-0408

3.5 Write a financial plan

Setting and managing your financial targets

THE FINANCIAL PLAN may not be the heart of your business plan, but it is designed to ensure that cash – the lifeblood at the heart of every business – will be there when it's needed. In writing this plan, you will make forecasts of your sales, expenses, developmental costs, operating costs, cash flows and your financing needs, sources and timing. The financial plan will help you to set targets for your business and manage it once you're up and running.

A tool to raise finances

A second and equally important purpose for your financial plan is to convince potential lenders or investors to provide your business with capital. If you want the plan to work for you, it must be tailored both to your own needs and to the needs of your financing sources. All lending institutions will give you information about their specific requirements. Many of them have their own publications which can guide you through the process of preparing your financial plan. Other agencies such as the Canada-Yukon Business Service Centre, Tourism Industry Resource Center and Dana Naye Ventures, can also give you a great deal of useful information.

Answering questions

Financial plans outline your projections and answer questions for you and your potential lenders or investors. In practical terms, your plan will draw together this information:

1. projected (also known as pro-forma or forecast) income statements for a 1-3 year period. Income statements are also known as profit and loss statements. If you are expanding or purchasing an existing business, you will also need to show copies of past income statements.
2. projected (opening) balance sheet. If you are expanding or purchasing an existing business, you will also need to show copies of past balance sheets.
3. projected cash flow statement – detailed by month for the first year, annually for three years
4. capital and operating budgets – details of start-up costs and capital improvements
5. financial requirements and sources schedule.
6. sensitivity analysis
7. assumptions used in preparing your forecasts
8. additional information

There are four questions you should bear in mind while preparing your financial plan:

- *How will the company perform?*
- *What will the cash position be?*
- *What will the financial position be?*
- *What significant assumptions did you make?*

Sales revenue projections

The basis for most of the projections you make will be the Sales Forecast, usually prepared as part of the marketing plan. This forecast sets out how much of your product or service you expect to sell. It is derived from an analysis of your target market, the definition of your typical customers and a determination of the number of sales your business can expect to make to those customers. There are critical assumptions you will have to make along the way, especially the assumption of what percentage of the potential customers will be yours. Base these assumptions as much as possible on hard facts and figures. Since the financial plan depends on the accuracy of the sales projections and timing of cash flow resulting from sales, the integrity of the business plan as a whole will rest on these projections. Regardless of the techniques you use to make your sales forecasts, rely on your own common sense and good judgement in making your final decisions.

Bracketing your projections

The exercise of making projections is not a time for optimism. A conservative business plan will project sales lower than expected, while projecting costs higher. A good strategy here is to "bracket" your projections. Prepare both an optimistic and a pessimistic projection and then walk a path down the middle. Your potential lender or investor will likely want to see the effect of making this kind of variation to your sales projections.

3.5 Write a financial plan

Projection becomes budget

Once you have your financing in place, you need to monitor your expenditures carefully while you are setting up your operation. Compare actual costs to your projections, so that you can deal with differences quickly. When you begin business operations, your projected financial statements will be your budgets. Your actual revenues and expenses should be compared to those budgets. Be prepared to act if there are major differences.

Components of the Financial Plan

Let's take a closer look at the components of your financial plan as outlined above .

1. Projected Income Statement

This is a forecast of how much you expect to receive in revenues and how much you will spend over the course of the next three years or more. You will start with your sales forecast to determine revenues and also your cost of sales – that is, the goods you must purchase to make those sales. To those costs, you will add other expenses like rent, utilities, advertising, office expenses, repair and maintenance. You will also need to look closely at the cost of insurance. Tourism businesses often have unique insurance needs that can be costly for the business owner. The bottom line, your net income, equals your projected revenues minus your projected expenses. Sometimes, your first year or two will show a very low or even negative net income. Projections over 3-5 years, however, may well indicate long-range feasibility for your business.

Sample Projected Income Statement for the year ending Dec. 31, 1999, for:

Riverside Bed and Breakfast

REVENUE			
ACCOMMODATION SALES			
Swan Room	29,000.00		
Falcon Room	27,500.00		
Teal Room	22,000.00		
Nuthatch Room	19,500.00		
TOTAL ACCOMMODATION		98,000.00	
GUIDED WALKS			
Evening stroll	10,000.00		
Sanctuary walk	13,000.00		
Swan song	4,500.00		
TOTAL GUIDED WALKS		27,500.00	
MISCELLANEOUS SALES			
bag lunches	3,600.00		
birding books, supplies	1,250.00		
conference bookings	14,000.00		
other	2,500.00		
TOTAL MISCELLANEOUS		21,350.00	
TOTAL REVENUE			**$146,850.00**
EXPENSE			
COST OF GOODS SOLD			
Food	10,250.00		
toiletries, housekeeping	4,500.00		
birding books, supplies	700.00		
miscellaneous	3,000.00		
TOTAL COST OF GOODS		18,450.00	
ADMINISTRATION			
Accounting	500.00		
Advertising and promotion	12,750.00		
Bad Debts	1,000.00		
Depreciation	5,000.00		
Insurance: Liability & Property	4,500.00		
Interest and Bank charges	2,400.00		
Interest on long-term debt	9,600.00		
Licenses, fees and dues	1,200.00		
Office Supplies	2,750.00		
Repairs and Maintenance	5,000.00		
Telephone & Utilities	6,400.00		
Wages and employee benefits	48,400.00		
TOTAL ADMINISTRATION		99,100.00	
TOTAL EXPENSE			**$117,550.00**
NET INCOME			**$29,300.00**

2. Projected Balance Sheet

A balance sheet is merely a schedule laying out your assets and the liabilities you incurred to buy the assets or generate revenue, as well as the equity you have in the business. This will contain the same asset and liability accounts as your "real" business balance sheets will do, once the business is up and running.

3. Projected Cash Flow Statement

Net income does not equal cash. Businesses can fail due to lack of cash even when they are showing strong sales and profitability. This profit, for instance, can be tied up in accounts receivable, equipment and inventory – leaving no cash to pay the bills. Preparing this forecast is to simply list all the cash payments and cash receipts you will make and receive, at the times you expect to make and receive them. This will show you, month by month, when you will need additional financial resource so that you can make appropriate arrangements.

When listing your cash receipts, remember that they go beyond merely cash sales to include long-term loan proceeds, sale of assets and capital infusions from owners or shareholders.

Your cash payments fall into three categories. The first is ***development costs,*** which are usually one-time and associated with starting up the business. They include such things as preliminary research and marketing costs, licences, legal and accounting fees. The second is ***fixed asset costs,*** which are often incurred at start-up as well, but are tangible and have a re-sale value. They include

such things as land, buildings, equipment, vehicles, and signage. The third category is ***operating and maintenance costs.*** These are the on-going expenses of doing business, such as rent, utilities, wages, etc.

New entrepreneurs often miscalculate cash flow timing and underestimate the working capital they require. This is most true for start-up of a seasonal tourism operation. "Working capital" is the cash your business has available on a day to day basis to keep going. Your financial projections should show that you have allowed enough time to establish your customer base. You also need to show enough working capital to carry you through that first period of operation – when you will likely have reduced revenues and no profitability.

One of the potentially troublesome aspects of cash flow management is "accounts receivable." If your business will be invoicing customers and waiting for payment, you will have accounts receivable. It will often take 60 days or longer to get payment from a customer, even when your invoices state "net 30". If your financial plan assumes that you will receive payments within 30 days, you may run into a serious working capital shortage. Some businesses can establish credit terms with suppliers (also known as "accounts payable" or "trade credit") but most new start-up businesses have to work on cash payment terms at first.

4. Capital and operating budgets

How much will you have to spend before you can open your doors for business? Which costs are estimates, and which are firm quotes? Funds may be needed for purchasing equipment, buildings, inventory, leasehold improvements and furniture. This will form your capital budget – a forecast of the money you need to purchase tangible assets. The operating budget is a forecast of the money you will need for the day to day operation of your business. Don't overlook pre-opening costs including legal and accounting fees, loan fees, insurance, deposits, business licence, stationery, advertising and brochures. Make sure that you provide for contingency funds to cover cost overruns or unforeseen costs.

5. Financial requirements and sources schedule

This will outline the amount of capital you need to raise for your business, which projected costs are being covered, and the sources for that capital–owner investment, bank or other lender, partners, etc.

Sample Projected Cash Flow Statement for the first three months of operation for:

Riverside Bed and Breakfast

	April, 1999 planned	April, 1999 actual	May, 1999 planned	May, 1999 actual	June, 1999 planned	June, 1999 actual
CASH RECEIPTS *(cash entering the business)*						
Cash on hand	4,000		–		–	
Cash Sales	3,000		7,500		11,500	
Accounts received	–		500		3,000	
Bank loan proceeds	20,000		–		–	
Other proceeds	10,000		3,000		–	
TOTAL receipts	32,000		11,000		14,500	
TOTAL Cash	37,000		11,000		14,500	
CASH DISBURSEMENTS *(cash leaving the business)*						
Accounting	300		–		–	
Advertising and promotion	7,500		1,750		1,250	
Birding books, supplies	600		–		–	
Capital expenditures	18,500		2,500		1,000	
Food	700		800		1,000	
Housekeeping supplies	1,200		200		300	
Insurance	2,250		–		–	
Interest and Bank charges	200		200		200	
Owner's withdrawal	–		–		1,500	
Licenses, fees and dues	700		300		–	
Miscellaneous supplies	800		100		100	
Office Supplies	800		–		100	
Payment, long-term loans	800		800		800	
Repairs and Maintenance	–		–		1,000	
Telephone & Utilities	500		400		300	
Wages, employee benefits	4,000		4,000		4,000	
TOTAL disbursements	38,850		11,050		11,550	
RECONCILIATION *(to show short term financing requirements)*						
Total Cash	37,000		11,000		14,500	
Minus total disbursements	38,850		11,050		11,550	
Surplus or [deficit]	[1,850]		[50]		2,950	
Increase or [decrease] in short-term loan	1,850		50		[1900]	
Closing cash balance	0		0		1,050	
Short-term bank loan balance at month end	[1,850]		[1900]		0	

Sample Projected Financial Requirements/Sources Schedule for:

Riverside Bed and Breakfast

FINANCIAL REQUIREMENTS	
Construction costs for room upgrades, 2 en-suites, hot tub & deck	34,000.00
Signage, landscaping, gazebo viewing platform, walkway construction	16,000.00
Framed bird prints, carvings, birder's library, audio & video, 2 spotting scopes	7,500.00
Logo and collateral materials development, marketing campaign	12,750.00
Bedroom, dining room, bird room furnishings	28,000.00
Computer, printer, fax machine, desk, filing cabinet, office materials	5,000.00
Operating costs until break-even	16,000.00
TOTAL financial requirements	**119,250.00**
PROPOSED FINANCING	
Second mortgage	32,500.00
Bank loan	42,000.00
Line of credit	10,000.00
Trade credit	750.00
Family investment	16,000.00
Owner investment	18,000.00
TOTAL proposed financing	**119,250.00**

3.5 Write a financial plan

Components of the financial plan–*continued*

6. Sensitivity analysis

When you make a sensitivity analysis, you ask "what if my underlying assumptions are off?" For instance, what if you end up with 15% fewer customers than you had projected; what if your costs increase by 10%; what if your price is set too high; what if the exchange rate goes against you by 5%? Take any "what if" scenario that you feel may apply to your business, and run through the numbers. Be aware that dropping your sales forecast by 15% does not necessarily translate to a simple 15% drop in net profit. The drop is usually significantly more, because many of your fixed costs remain unchanged. As you work through several scenarios, you will come to see which assumptions are the most sensitive to change. In other words, you may find that a 10% change in price up or down may not significantly alter your bottom line, but a small percentage change in number of sales will have a significant impact. Know where you are vulnerable and develop strategies to counteract the potential impact.

7. Assumptions used in preparing your forecasts

A problem with many business plans is that the words don't always add up to the figures. In other words, the business plan does not do a good job of linking information in the descriptive part of the plan (marketing, operations, human resource plan) with the financial plan. This linking is critical. While writing any part of your plans and especially the financial plan, keep a list of assumptions about how you arrived at your numbers. For instance, you are developing sales projections for your highway lodge/gas station. One assumption you make is that you will pick up 5% of highway travellers gas sales, because you are one of 2 gas stations located approximately one gas-tank full from a community that provides full services to 10% of all travellers. Note the assumption, number it and add it to a list of assumptions in the business plan, making it easier for you to recall how you determined the numbers and for others to understand your projection. Are your projections realistic and reasonable? Wherever possible, provide documents that can support your forecasts (example: industry financial ratios and norms).

8. Additional information

Other information that you may need to provide includes business valuation or appraisal on real estate; equipment appraisals; costing; accounts payable and accounts receivable details; inventory control policies; cash control; break-even analysis; sales terms; and personal statements of net worth. Your potential lenders/investors will advise you which of these to include.

Getting further help

Do not hesitate to ask for help to develop or review your forecasts. An accountant or consultant can go a long way to steering you away from major pitfalls or unrealistic projections. Their are also substantial resources available, some outlined below, to guide you through the process of writing your financial plan.

FOR MORE INFORMATION

Tourism Industry Resource Center
100 Hanson St, Whitehorse; (867) 667-5449

Aboriginal Business Canada (Industry Canada)
Vancouver, B.C. (604) 666-3871

Basic Accounting
Self-Counsel Press

Business Planning Publications available from:
all major banks; Industry Science and Technology Canada (Aboriginal Economic Program); Business Development Bank of Canada; Dana Naye Ventures.

Canada-Yukon Business Service Centre,
201-208 Main St., Whse.; (867) 633-6257 or 1-800 661-0543

Dana Naye Ventures
409 Black St., Whitehorse; (867) 668-6925

Yukon Entrepreneurship Centre Society
411 Wood St., Whitehorse; (867) 393-3574

3.6 Where to get money

The lifeblood of your business

JUST ABOUT EVERY BUSINESS needs money to get up and running. Certainly it is the lifeblood of the business once it is established. Some entrepreneurs are able to put up all the money they need from their own savings. This is not usually the case, however. Instead, entrepreneurs look for other people or businesses that have money they may want to loan or invest. Following are four common sources of money to develop new businesses.

Kitchen table deals

Venture capital–also known as risk capital– is money that is invested in a new but unproven business. It is money that its owner risks losing in the hopes of making more money. New businesses often get venture capital by way of an informal loan from relatives, friends and acquaintances. This kind of kitchen table deal is common and may form a small or even substantial part of the money you need to raise. The advantage to you is less paperwork and, usually, greater flexibility. The disadvantage is the potential for strained relationships when things get difficult. While the deal may be cemented with a handshake over a cup of coffee, it would be wise for both of you to put the arrangement in writing, and have it reviewed by a lawyer.

Formal venture capitalists

There are also private investment groups and individuals who have venture capital available to invest in projects they think will make them money. It is important to select an experienced broker with a good reputation. Ask around among your business acquaintances and get advice from a lawyer before making any commitments. Keep in mind that you may lose some control of the business with this form of financing. Formal venture capitalists usually want high returns over a short time period, and they want to see you make a substantial investment in your own business. They also want to be sure they can get their money out of the business at some future date.

Dana Naye Ventures

Dana Naye Ventures, a Yukon development financing company, provides a matching service and information about venture capital through its Yukon Venture Group service. Examples of sources which may be accessed through this service are investment bankers, investment funds, non-traditional financial institutions, business development banks and private investors. This service is aimed at projects requiring between $100,000 and $1,000,000 in investment. Dana Naye Ventures itself makes loans to both Aboriginal and non-Aboriginal businesses throughout Yukon, serving small and medium sized businesses.

Bank loans

Taking out a loan from a commercial bank is still one of the most common forms of financing a new venture. Often applications are based on past performance, so the relationship between the bank and the entrepreneur can be an important factor in obtaining a loan. The Business Development Bank of Canada is a federally funded lender that will often extend loans to businesses that, for various reasons, cannot get them at commercial banks. The rates, however, are usually higher.

The questions lenders ask

All lending institutions will want to know your answers to a number of important questions before they part with their money. A well developed business plan, one that includes marketing and financial plans, will satisfactorily answer most of these questions for the lender:

Management?

- Can you manage your business? Lenders will want to examine your experience, strengths, weaknesses, and credibility. They want to know who you are, and whether you can deliver what you say you can. You should provide your resume and include business and personal references. The bank will also do a credit check on you.

Viability?

- Will your business make a profit? The lender wants to know whether you're going to be around long enough to pay off your loan. Pro-forma profit and loss statements from your financial plan will help to answer these questions.

Security?

- What assets can you put up against the loan as security? If the business doesn't have enough in the way of assets, then you will have to consider putting up your own personal assets or guarantees. Be aware that you may be required to do so regardless of your business assets. This

3.6 Where to get money

will put your personal assets at risk if your business fails. The bank will likely want a list of your fixed assets and a statement of your personal net worth.

Cash flow?

- Will the business be able to pay all its bills, including its loan payments? The lender wants to know what you expect your cash flow to be. The cash flow statement from your financial plan will answer this question. It will also indicate whether your business will need a line of credit or possibly a seasonal payment structure.

Equity?

- How much are you putting into the business? What form is that contribution—cash, assets, or "sweat-equity?" Lenders will judge your own commitment to the business by the amount you're prepared to put into it. If you do not have enough equity, consider implementing your project in stages, or taking on a partner.

Risk?

- What are the risks in your type of business? Is there a proven demand for what you are offering? Try to provide information that will make your business idea less risky in the eyes of the lender. For instance, provide him with letters of intent, copies of signed agreements, and trade sources that examine the growing demand for your type of business.

Government funding

The availability of direct Yukon Government funding for business varies over time. New programs are often designed so do check into the possibilities. You can get information on current programs from agencies such as the Yukon Department of Economic Development, Yukon Department of Tourism, and from the Canada-Yukon Business Service Centre.

Two federal programs you may want to look into, both delivered by Dana Naye Ventures, are:

- Self Employment Program, from Human Resource Development Canada
- Aboriginal Business Canada, from Industry Canada

Short term financing

Many new entrepreneurs use short term credit for at least part of their financial needs. You must use caution and discipline with these strategies, however, because the price you pay for them is higher than for other forms of financing. The important thing to remember is that they are indeed "short-term." Three common forms are:

- Credit card financing. Many business owners at start-up make use of their credit cards to help finance their business
- Trade credit (extended payment terms from your suppliers, for example: payment due in 30 days). This can be especially useful for seasonal startups. Establishing trade credit can take time, a track record, and personal guarantees of business owners, so it should not necessarily be counted on by the first time entrepreneur.
- Lines of credit (also called operating loans). Commercial banks all offer lines of credit. This type of loan normally "revolves," going up and down depending on deposits and payables.

Consider leasing

While not, strictly speaking, a way of raising funds, leasing offers you a way of reducing the amount of money you do need to raise. Some of your assets may be leased instead of bought outright. So, rather than making a monthly payment to your lender, you will make that payment to the provider of the lease. This can free up working capital for your day-to-day operations, and may provide a tax break as well. Talk to your accountant about the advantages and disadvantages to your business.

FOR MORE INFORMATION

Tourism Industry Resource Center
100 Hanson St., Whitehorse; (867) 667-5449

Business Development Bank of Canada
1109 First Ave., Whitehorse; (867) 667-7698

Canada-Yukon Business Service Centre,
201-208 Main St., Whitehorse; (867) 633-6257

Dana Naye Ventures
409 Black St., Whse.; (867) 668-6925 or 1-800 661-0448

Yukon Economic Development
211 Main St., Whitehorse; (867) 667-5466

3.7 Minding your business

Set account management procedures

YOU'VE DONE ALL THE HARD RESEARCH and planning work, come up with an inspired marketing approach and are driving hard towards opening day. Don't let it all slip through your fingers now by overlooking your account management procedures. This is especially important for new tourism ventures which are typically small, have modest sales levels, minimal to non-existent profit margins, and seasonal revenues.

A basic understanding

It is important for every entrepreneur to have a basic understanding of bookkeeping and accounting. This doesn't mean you actually have to "do the books," but you should understand what is happening, so that you can manage cash flow and spend as much time as possible on generating income for your business. Your administrative and financial systems should be designed to minimize clerical errors, and prevent fraud, cash flow problems and other unpleasant surprises. If you are unfamiliar with accounting, consider an introductory course in the subject from Yukon College or get further information from the Tourism Industry Resource Centre, Canada-Yukon Business Service Centre, or the Business Development Bank.

Points to consider

Although each business' control system should meet it's unique needs, there are some general points to consider when developing a system:

- Simplicity – the system should be workable, simple as possible, and understandable
- Timeliness – you should be able to produce reports as soon as possible
- Cost versus Control – bookkeeping can be costly in terms of your own time or in hiring a bookkeeper. The more you are involved, however, the more you understand your business.
- Flexibility – the business' needs will change over time, so it is important that a control system be able to adapt to provide new information requirements.

If there is one thing computers do better than anything else, it's organizing numbers. And that, essentially, is what bookkeeping and accounting is all about. With the low cost of computers and software today, it would be hard not to justify their expense to the entrepreneur for accounting purposes. They will save you hours of tedious ciphering in ledger books, will easily set up your chart of linked accounts, will generate tidy reports of every sort at moment's notice, and they never make an adding error. On the other hand, if you make an entry error, it takes a few key strokes to fix it. And you'll never leave any tell-tale white-out.

Bookkeeping vs accounting

Bookkeeping and accounting together form the accounting system for your business. What is the difference between them? Bookkeeping ensures that each business transaction (a cash sale, payment of a bill, payroll cheque) is recorded correctly, while accounting collects the bookkeeping records into financial statements and other reports.

Your chart of accounts

Developing a financial control system begins with setting up a chart of accounts specific to your business. These will include asset accounts, liability accounts, income accounts, expense accounts and others. Each financial transaction you conduct will then be recorded in the appropriate account, allowing you to track such variables as sales, expenses, costs and inventory, and to review your company's cash, profit and loss positions. If this all sounds too complex for you, do not despair. All you need is an accountant to advise you, a computer software program to do most of the work and a bookkeeper to help you put it all together.

You need an accountant

Every entrepreneur needs an accountant – and the earlier in your developmental stages, the better. He or she will be able to advise you on virtually every aspect of setting up your business, from the form it should take, through tax planning, to the particular chart of accounts you will need. The accountant can advise you on how to take tax advantages and maximize your net income simply by making your entries to the proper accounts. He may also be able to advise you on a good software

3.7 Minding your business

package for accounting. Two packages popular with small businesses are Accpacc Bedford's *Simply Accounting*, and Best!Ware's *M.Y.O.B.*

A strategy to get you going

Armed with information and resources, you are now ready to "set up your books." If you are familiar with basic bookkeeping principals, the software includes everything you need to proceed. If you are not, then here is a strategy successfully used by many small businesses at start-up: hire the services of a professional bookkeeper for an afternoon. That should be all it takes to set up your accounts and give you some basic training in how to enter your financial data. Then make arrangements for the bookkeeper to return once every month – or as needed – to review your entries, answer questions, make necessary adjustments and to flag concerns. Add to that an annual or semi-annual review by your accountant and you have a formula that will keep you closely involved in your company's financial activities – aided by professionals – in a cost-effective way. Of course, if your business generates a lot of financial activity, you may have to weigh the formula differently. At the extreme, you may need a bookkeeper to make all the entries, and then review the books with you every week or two.

Cash-based businesses

Many tourism businesses are "cash based" – a large portion of their revenues are cash sales as opposed to sales on account (which automatically leave a paper trail). This, coupled with long hours of operation, makes them prone to cash "shrinkage" – less in the till than what the records indicate should be there. Shrinkage can be attributed to poor or error-prone record-keeping and staff theft. If this description fits your business, you will need a point of sale system – a clearly-defined process for monitoring, receiving, recording and depositing cash sales. You must also impose strict controls on who can receive and disburse cash.

Keep your records current

There are compelling reasons for you to keep your records as current as possible. This will allow you to track your sales and expenditures and compare them to your forecasts. You will be able to assess your cash position at any time and spot emerging trends. You can then take corrective action during the course of the season. If you don't learn until the end of summer that you have been losing money all along, it may be too late to make changes for that year.

Cash flow problems

There are a number of early warning signs that may indicate a looming cash flow problem:

- inventory increasing more rapidly than sales. Carrying inventory costs money. If inventory is one of the critical factors in your business and the quantity is large, purchase of a computer and appropriate tracking software is worth considering
- overdue accounts receivable (money owed to you) and possibly a large number of bad debts – how do you decide who to give credit to, are you invoicing quickly and accurately, are you sending out statements of accounts and following up on overdue accounts?
- overdue accounts payable (bills you need to pay). Discounts should be taken advantage of and late payment penalties should be avoided. Are you making your payments as they become due?
- major difference between projections and actual income and expenses
- idle staff or excessive overtime. This may also indicate a management problem.
- bank lines of credit do not decrease but are always at or near their maximum. If this is the case, consider converting the full amount into a loan, payable at a lower interest rate.

FOR MORE INFORMATION

Tourism Industry Resource Center
100 Hanson St., Whitehorse; (867) 667-5449

Business Development Bank of Canada
1109 First Ave., Whitehorse; (867) 633-7510

Canada-Yukon Business Service Centre,
201-208 Main St., Whtse.; (867) 633-6257 or 1-800 661-0543

Business Basics, a Ten Article Series
K. Tanner, n.d., Yukon Economic Development

Basic Accounting for the Small Business
C.G. Cornish, Self-Counsel Press 1998

Complete Canadian Small Business Guide
D.A. Gray, McGraw Hill, 1994

3.8 Marketing 101

What is marketing?

THERE ARE A NUMBER OF WAYS to define the term marketing. At its most fundamental level, marketing is any activity that attempts to respond to a demand for a product or service. In the Tourism industry, effective marketing is a process in which you determine who your potential buyers are, what their needs are and how you will go about meeting those needs. Do not confuse marketing with selling or advertising. In fact, these two are both aspects of marketing. Selling is what happens when you contact potential buyers to purchase your product or service. Advertising is part of your promotional marketing activities.

Market-driven approach

It is often said that to be successful in this industry you must anticipate, meet, and even exceed your customer's needs. This is the *service* or *customer-oriented* approach and is the key to successful marketing. It used to be that if you built a better mouse trap, the world beat a path to your door. Today, you wouldn't build that mouse trap until you conducted some market research to determine if a need existed for one. This is sometimes referred to as the *outside-in* or *market-driven* approach, in which your business decisions are driven by the desires of your customers and not merely by your business capacities or capabilities. This stands in sharp contrast to an older *inside-out* approach in which business decisions are made based strictly on what the company has or wants to sell.

Start with your customer's needs

To be market-driven, a new tourism business that plans to offer soft (low-risk) adventure tours would determine why customers would be interested in these tours before they are designed. This business would design its product around its research into customer's needs and wants rather than the capabilities, knowledge and interests of its owners. The outcome of the market research would determine how the business would design important factors like timing, accommodation and the areas to be toured. The level of satisfaction will be high and result in free promotion in the form of *word of mouth* referrals. Satisfied customers will be your best promoters.

The marketing mix

A key concept in marketing is the *marketing mix*. This is the full combination of efforts a business makes to achieve its marketing objectives. The traditional understanding of marketing mix consists of four principal elements known as the 4 Ps: Product, Price, Place (or distribution) and Promotion. Let's look at each of these more closely.

Product

Your business product is whatever is being delivered to satisfy consumer needs. It is much more than the good or service you provide. The product is what the customer buys to satisfy a *want* that he has. The want could be adventure, a gift, a learning experience or food in the stomach. The first step in marketing your tourism product is to understand the *want* which you can satisfy.

Price

This includes everything a buyer pays to a seller–cash, the benefits of credit or discounts. The price of your tourism product must be linked to the cost to your business of providing the product so that it will create a profit. A key consideration for new entrepreneurs is that your product costs are at their highest when they're newly introduced. Unfortunately, this usually coincides with a time (new business start-up) when demand will be at its lowest. You may have to plan on a period of low returns or even losses until you can generate sufficient sales.

Place

Place refers to the distribution channels you employ to get your product to your customers. While place sounds like a retail space, or your business location, in a marketing sense it may have nothing to do with a specific site. The internet, for instance, is one such channel. There are a number of channels unique to the tourism trade including tour wholesalers, specialty channelers and receptive operators. These companies assemble tours, services and other tourism products in various ways for resale. *(see Fact sheet 3.12 for more on price and distribution channels)*

Promotion

This P is the term many people confuse with *marketing*. Promotion refers to all the methods and tools used to spread information about the product and encourage consumers to buy it. This includes print

advertising, personal sales, discount coupons, and press releases. Once your business is in operation, it is this part of marketing that you will have to spend money on every year. Knowing your product and your market is essential for keeping your promotion budget in line and producing results.

The 9 Ps

In the tourism industry, the marketing mix is sometimes referred to as the 9 Ps. To the traditional four above are added packaging and partnership *(see Fact sheet 3.2)*, people *(see Fact sheet 3.3)*, positioning and programming. Positioning refers to the way that you differentiate your business from your competitors, while programming refers to special events you might organize to extend your product's reach.

Other marketing concepts

There are a few other marketing concepts an entrepreneur should be familiar with. The concepts of *market segments, target markets, product-market match* and *market niche* will fill the remaining slots of your marketing toolbox. Market segments are groups of people who have something in common. This may be the place they hail from, their age or their interests related to tourism. A target market is the particular market segment that your business can aim its product at. The product-market match is the degree to which your product matches with the *wants* of a particular market segment.

Market niche

A variation of the target market is the *market niche*. A niche is a specialized part of a market segment that has demand for a unique product. The idea of focussing on a market niche is to direct your marketing resources to this special group of people. To do *niche marketing*, your market research has to confirm the existence of the market niche and its demand pattern. Your product needs to be developed with this niche as the focus. Your distribution channel and your price have to be carefully developed to reflect the needs of this niche.

Example

The following example illustrates a number of marketing concepts.

A tourism business offering year round, overnight accommodation, breakfast and 2-hour tours in the summer could define its marketing mix this way:

Product	Bed and breakfast with modern rooms, comfortable beds and furnishings Summer: Comfort, personal security, convenience and information Winter: Comfort and convenience
Price	Summer: $85.00 per night per person incl. breakfast, walking tour, GST Winter $70.00 per night per person incl. Breakfast and GST
Place	In-bound wholesaler, local tourism information centre, accessible location
Promotion	Flyers updated each season, regular personal contact with wholesaler
Segments	Age groups, mode of transport and purpose of visit
Target market	Summer: Primary: Age 50+ caravan travelers Secondary: Age 50+ independent travelers Winter: Business travelers
Market match	with international service standards, secure surroundings, high quality and healthy breakfast and an opportunity to learn about the area which matches the needs of the summer and winter target markets.

Marketing and the business plan

In the example above, the entrepreneur has done research to determine the market segments and other aspects of his *marketing mix* and provided supporting background information and sources. A working relationship with the wholesaler has been developed and provides the business plan with some credibility. To deliver the service standard that is an integral part of the marketing mix, the business owner and staff require training in aspects of hospitality and customer service. These requirements were spelled out in the human resource section of the business plan. This business will generate more cash flow in the summer and less cash flow in the winter so the financial part of the business plan dealt with the seasonal issue.

3.9 Market research

Hear the voice of the market

MARKET RESEARCH is an organized, formal process of asking questions and gathering data about your market, competitors and potential customers in order to make marketing decisions. In this market-driven industry, it is one way in which you "...hear the voice of the market." The purpose of marketing research is to reduce uncertainty and mistakes when it comes time to make your marketing decisions. Maintain this focus, or you may be caught up in your data collection techniques and miss the information you really need. Though this process may seem complex, it isn't necessarily so–depending on the nature of your business proposal.

Pick up on preliminary research

Market research picks up where your preliminary research and planning left off *(Fact sheet 2.1)*. You have defined your product/service, and have done some preliminary work in identifying your market segment – that group of potential travellers with similar characteristics to whom you can direct your marketing efforts. You have also refined your business idea, have a sense of costs and done some basic product development work. Now it is time to conduct your research, following these ***five basic steps:***

Your market research should focus on providing answers to these kinds of questions:

- *is my product unique?*
- *what kind of person is likely to buy my product?*
- *are there enough of them to make a profit?*
- *is my price right?*
- *what share of sales will I get?*
- *is someone else already fulfilling their needs?*
- *how can I reach them?*
- *what's the best way to get them to my product?*

Define the "problem"

1. Also known as defining the question, opportunity or concept. This is a detailed statement of what you are attempting to discover. In the case of a new business venture, the issues revolve around the viability of your product/service offering. Consider all the elements of the marketing mix – the 9 *Ps* of product, price, place, promotion, packaging, partnership, people, positioning and programming.

Develop hypotheses

2. This will be your "best guess" at who will buy your product or service – your target market and ideal customer–why they will buy, at what price and by which means. Determine what data you will need to test your hypotheses and how you will go about getting it. Can it be done by reviewing statistical or in-house data? Will it require a survey, questionnaire or the services of a research firm?

Define your objectives

3. your research objectives must always be defined in terms of the questions or *problems* (from step 1) you need to solve. Once you have stated your objectives, develop a marketing research plan that specifies how you will gather the data you need, what questions need to be asked, what surveys, questionnaires, or test marketing needs to be done, who will do it, and the time in which to do it.

Collect the data

4. All market research data is either Primary, which is data you generate yourself from company records or by conducting such things as surveys, or it is Secondary, which is data that is already out there, waiting to be found, collected or bought. Most of your efforts will likely be focused on secondary data. There are a wide variety of sources for general, trends and statistical tourism data, a number of which are listed on the next page. These sources may include statistics on highway traffic, spending habits, number of similar businesses in the market now and their approximate sales volume. Once you have collected your data, you will tabulate it, pull out the information you want, analyze it and draw your conclusions.

Is your "problem" solved?

5. Have you got solid answers to your questions? If not, you need to determine what additional research is needed. You should be in a position to review your business idea or your product offering in light of your research findings and ask yourself if what the market really wants is something other than what you are offering. This may lead you down a new avenue of market research, or to a revised marketing plan.

3.9 Market research

Effective market research

Remember that effective market research asks simple, clearly-defined *questions* which seek quantifiable answers such as:

> *I'm offering a water-based product. The best period for this product is 12 weeks annually. Is there sufficient demand for my eco-tour product over 12 weeks to make the business profitable? Can I extend my product offering to a 4-week shoulder season?*

These questions will focus your research and help you avoid the information overload which research can cause. Your market research will be aimed at helping you make a sales forecast for the tourist season and so you will look for data about the numbers of tours normally sold, average prices, trends, etc. which can then be focused on your sales forecast.

Data vs information

There is an important difference between data and information. Sometimes research produces only data, like *"250,000 people toured Yukon in 1996"*. While this may be correct data, it is not very useful information for your market research. If you are planning an adventure tour business, useful information would be *"Most adventure tourists coming to Yukon purchase their tour through XYZ Wholesale Tour Company"*.

Research Information Sources:

Tourism Industry Resource Centre
Canada-Yukon Business Service Centre
Canadian Tourism Commission
Chambers of Commerce
Competitors & Colleagues
Dept of Economic Development
Public library
Statistics Canada
Tourism Industry Association of Yukon
Yukon College

NOTE: The Tourism industry Resource Centre provides some access to the Internet for people who want to do research on the WWW. The system is not difficult to use even for first time Internet users, and it provides fast access to significant research web pages, free of charge.

The key elements

Market research is aimed at both the market and product sides of your business. With good research you should be able to develop your product while defining the target markets which best match it. You will want to determine the key elements of the product that will create demand. For example, a growing segment of the Yukon tourism industry is adventure or wilderness tours. People who are interested in these tours may be looking for *adventure* but may also be looking for *personal comfort*. Your product should feature both *adventure* and *personal comfort*. Market research helps you determine the features various market segments are looking for so you can tailor your product accordingly.

Qualitative data

Your market research must generate information that will be helpful to you and accepted by investors or lenders as the basis for the sales forecast. Research can provide either *numbers* or *qualitative* data. The value of numbers will depend on how specific and relevant the numbers are to your particular business concept, and on the reliability of the source. Qualitative data can be useful if the source is well known and credible, for instance, from a major player in the local tourism industry in support of the product and market concept of your business.

Primary data

Market surveys, questionnaires, polls, interviews, focus groups and test markets are all legitimate methods of collecting primary market research data. To be meaningful, however, they must be designed and conducted properly according to accepted market research principles. If you think this kind of data is required, you should consider hiring a market research firm or studying the literature on the subject, including the references below.

FOR MORE INFORMATION

Look Before You Leap: Market Research Made Easy
Don Doman et al, 1993, Self-Counsel Press

Marketing Planning Guide
Stevens et al, 2nd ed., 1997, The Haworth Press

3.10 Write a marketing plan

A series of inter-related steps

OF ALL THE BUSINESS PLANNING ELEMENTS, the marketing plan is the most critical to the success of your business. A good plan will get your product or service in front of potential customers and convince them to purchase it. It is a series of inter-related steps that begins with identifying your customers needs and the products you will offer to satisfy them. Next you must determine how to reach those potential customers which leads to sales forecasts which drives your budget and related financial decisions. If you get your marketing plan right, and implement it effectively, you will be well on the way to success.

Drawing information together

Your marketing plan builds on the work you began in the preliminary evaluation planning stage and draws together the information you derive from market research, product development, research into market channels and communicating with your customers. These topics are all addressed in subsequent fact sheets.

A logical process

When you started the planning process, you wrote a mission statement for your business idea, analyzed your strengths and weaknesses and your competition, conducted preliminary market research, worked out some figures and made the decision to proceed. Now you will follow the same process to write a plan that is more detailed, relies on thorough research and ends with a clearly-defined marketing strategy. This strategy gives you a set of objectives to be reached by the end of the year with a detailed, statement of what to do, when to do it, by whom and how. If all this sounds difficult, don't be put off. In most cases it is not necessarily that complex – once you get started, it is just a series of logical steps that takes you from point A to point B.

When you develop a marketing plan, look for answers to these questions:

- *Where do you want to go? (your business objectives)*
- *Where are you now? (the situation analysis)*
- *How do you get there? (your strategy)*
- *What is it going to cost? (your budget)*
- *What feedback do you need? (monitoring and controlling)*

Elements of a marketing plan

Your marketing plan will:

- state your business objectives
- show the results of a situation analysis
- describe the market segments you are interested in
- define your target market or markets within these segments
- detail the size, volume, frequency of purchase and other aspects of the target market(s)
- analyze your competition
- describe your product and your product development plans
- show how the product and the target market(s) match
- set your marketing objectives in terms of sales, profitability and customers
- describe the way(s) in which your product will be sold (distribution channel)
- determine the selling prices and net amount received by your business per sale
- determine the specific actions of your communications plan to meet your objectives
- list the expected marketing costs in a budget format
- make a 3–5 year sales projection detailed on a monthly basis
- monitor and analyze your performance

Elements unique to your business

Every business plan or marketing plan has unique elements as well. There may be specific factors relating to your business proposal that do not fit neatly into this list. For example, there may be a specific opportunity tied to a historic event celebrated annually which creates a market opportunity for your business. Such a special item would take a primary position in your situation analysis and will be referenced throughout the rest of your plan.

3.10 Write a marketing plan

THE TOURISM BUSINESS FACT SHEETS – *BUSINESS PLANNING*

Marketing planning

What follows is a brief review of the marketing planning process. The entire process is illustrated schematically below. You will also find more information on various aspects of the marketing plan in the remaining fact sheets in this series.

Marketing objectives

Begin with the mission statement you developed in the preliminary planning process and expand on it if necessary. This is the stated purpose of your business and becomes the reference point for all management decisions you make. Should you enter this market? Should you develop this product? If it does not advance the purpose of your business, then it is a bad decision, no matter how profitable it seems to be. If your stated purpose is to provide memorable but soft (low-risk) wilderness experiences, then you will market differently from a firm offering high risk wilderness adventure tours.

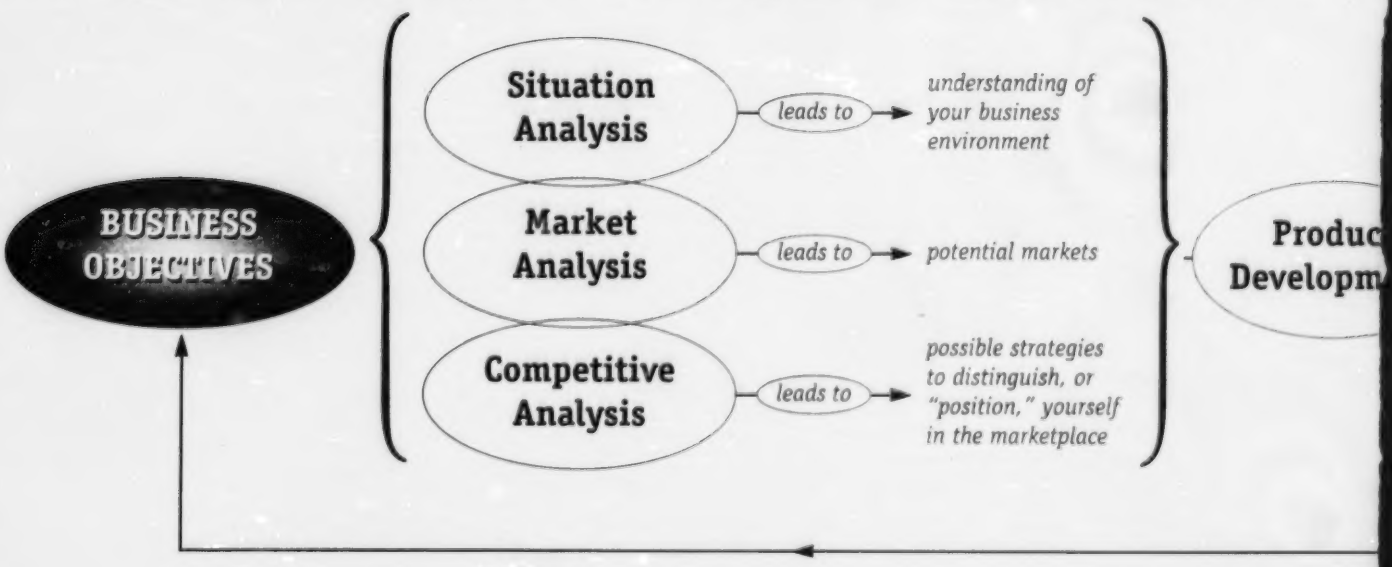
Situation analysis

Again, you will build on work you began in the preliminary planning stage. Review your strengths and weaknesses (internal factors) and the external opportunities and threats to your business. Update your inventory of area resources, if necessary. Review the economic and political climate and consider whether any positive or negative influences have arisen to affect your business. For instance, is there a new land use restriction that will hinder your development plans for a wilderness bed and breakfast?–or perhaps ensure that yours is one of the few that will be permitted?

Market analysis

To do market analysis is to do research into market statistics and information. When you have concluded your research you will have identified your market segment. This is a group of travellers who are linked by common interests, location or demographics; are accessible by marketing to their segment; and are a large enough group to make marketing efforts worthwhile. You will know about this segment's preferences, lifestyles and locations. A major benefit of this research is that it will keep you from projecting your own likes and dislikes onto your product offering and understand what your segment wants. *(See fact sheet 3.10 for more information)*

An Overview of the Marketing Planning Process *



* adapted from *The Business of Ecotourism* by Carol Patterson, Explorer's Guide Publishing

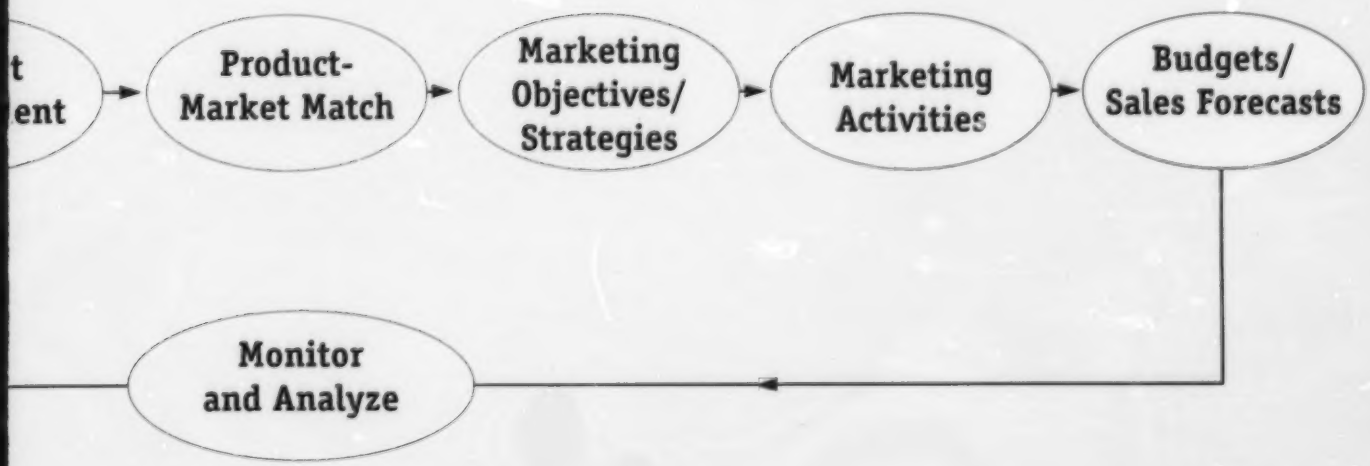
Competitive analysis A review of your competition will tell you who is selling the same or similar products as yourself. It will help you to decide if the market is already crowded for a specific product, what the competition's strengths and weaknesses are, how you can distinguish your enterprise consistent with your stated objectives, and where you can most effectively compete with other offerings in the marketplace. Try to describe in a paragraph or two who your main competitors are and how you differ from them. Show your uniqueness and how you will take advantage of it.

Product development By now, having completed the situation and market analysis, you will know what the wants of your market segment are and what you are capable of providing. You must thoroughly describe your product offering in general terms and in terms of its location, suppliers, and requirements. A good product description relates the product to markets where demand exists.

Product-Market match Make a list of all your possible product offerings and another of the possible markets you have identified in your research. Cross reference them to see what the most likely "matches" are. If, for instance, your market research has identified older American couples who are fit but not overly active, then your wilderness bed and breakfast product offerings might include bird watching strolls, gourmet meals and comfortable lodgings as opposed to a rustic cabin base with mountain hikes.

Marketing objectives Objectives are the results you want to see after the planning is over and your business is running. They will also help you to measure your performance. Good objectives are clear and concise, are written out, name specific results over a specific time period, are measurable and are consistent with your stated business purpose. Above all, they must be realistic. An objective to simply "maximize profit" is almost useless. An objective to "return 20% on investment as a net profit target by September of next year" is specific, measurable and time-bound. You should be setting objectives in sales, profits and in customer perception and attitude.

Marketing strategies Once you have set objectives, you have also spelled out what success for your business is. To get from one to the other, you have to develop actions (strategies) that will motivate people to buy what you're offering. Your action plan must specify who does what by what time. It is helpful to develop this plan relative to the 9 "P"s of marketing: defining your *Product*, setting an appropriate *Price*, determining the *Place*, *Promoting* your product, arranging *Partnerships*, *Packaging* your product, *Positioning* it in the marketplace, organizing *Programs* and getting your *People* in place.



3.10 Write a marketing plan

Pricing your product

Setting the right price for your product(s) is critical to the success of your marketing plan. You must look at the cost of providing the product in detail, making sure to include the direct and indirect costs. These include the cost of managing the business, promotion and other overhead costs such as bank fees and insurance. Your selling price must cover all these and provide a *profit margin.*

Marketing activities

These activities are the means by which you deliver your message to your potential customers–your target market. These include direct sales, brochures and other promotional literature, internet presence, signage, newspaper and magazine advertising, trade shows and publicity. *(See Fact sheet 3.13 for more information.)*

Marketing budgets

Cost out all the activities you have outlined in your marketing plan. What your business will spend on advertising and promotion each year will be an ongoing part of your marketing costs. Some of your marketing costs will be spent at the beginning of the year or even as *prepaid expenses* which have to be paid out the year before. Sometimes ads have to be placed and paid for a year in advance. Your marketing budget may surprise you and force you to re-evaluate the timing of some activities.

Sales forecasts

Your sales forecasts, or projections, are based on the goals and objectives you set. This is often the most difficult part of your marketing plan. Forecasts are to some extent a "best guess" exercise. You make your best guess using your research and knowledge of the product and the market. Sometimes sales projections are *bracketed* which means that you actually make a few forecasts, using pessimistic and optimistic ways of looking at your future sales. If you have some hard numbers which came from your research, it will be possible to narrow the range of forecasts.

Testing your projections

You need to test your sales projections for realism. When you look at the figures, try to visualize the traffic that your business will have to generate in real terms to reach the projected sales volume. Sometimes this can be done by determining the number of people who will have to buy your product to meet the sales projection per season and then compare this number of people to the traffic generated by similar businesses or organizations as a benchmark.

Monitoring and analyzing

Spell out in your plan how you will monitor the effectiveness of your marketing activities. At the end of the year you will want to know what parts were effective and what parts not. A key monitoring technique is to keep track of the responses to your various activities. Basically, ask every person who makes an enquiry how they heard of your business. There are also ways of coding your advertisements so you can track those that are most effective. Ensure that your marketing costs are recorded to appropriate and distinct marketing accounts. That way, you can make a number of analytic evaluations at year end, including *return on investment* (customer spending divided by total marketing costs) and *marketing cost per inquiry* (cost per marketing activity divided by total inquiries resulting).

Getting professional help

You can write your own marketing plan or pay a consultant to develop it for you. Generally speaking, the more work you can do yourself, the better, because you will come to a fuller understanding of your business and your plan. Still, assistance from a professional will ensure that the plan is realistic and complete. And a solid marketing plan will enhance your overall business plan, making it a useful tool with which to approach lenders and investors.

FOR MORE INFORMATION

Designer's Guide to Marketing
Betsy Newberry, 1997, North Light Books

Look Before You Leap: Market Research Made Easy
Don Doman et al, 1993, Self-Counsel Press

Marketing Planning Guide–Second Edition,
Robert Stevens et al, 1997, The Haworth Press

The Business of Ecotourism
Carol Patterson, 1997, Explorer's Guide Publishing

3.11 Developing your product

Tailoring your product to your market

DEVELOPING YOUR TOURISM PRODUCT is all about tailoring it to your market. It is a process first of analyzing and inventorying your ideas, resources and the resources/attractions of your area, and second of analyzing your marketplace. Based on this research, you can begin to develop a product that is both within your capacity to offer, and that meets an identified need.

Satisfy the "want"

A viable tourism product is one that satisfies a *want* that a potential tourist has. Products are far more than physical objects. For example, a tourist who buys a *river trip* receives conveyance, food and beverages, equipment, a guide and other provisions. What is being satisfied, however, is the tourist *want* for adventure, excitement and companionship with people who are like minded. Satisfying the *tourist want* will depend on *all* of the tourism products required to make up the river trip, both physical and experiential.

Yukon itself satisfies a want

When you begin your inventory of resources and attractions, start with the Yukon itself. The great majority of tourists interviewed in the Yukon Visitor Exit Survey (1994) indicated they were pleased with their visit to the Yukon. Many people identified scenery as their favorite attraction in the Yukon. History such as the Klondike Gold Rush, and culture such as the Yukon First Nation cultural heritage, are also major attractions for visitors to the Yukon. Clearly, a wilderness, wildlife, historic or cultural experience are some of the fundamental *wants* of potential tourists.

RESOURCE	number	unique features	quality	potential low, med, hi	description/ problems
Natural, scenic attractions					
• bird species					
• climate					
• fishing					
• geology					
• hiking trails					
• lakes					
• mountains					
• parks					
• wildlife					
Historic					
• First Nations					
• gold rush					
• museums					
Cultural					
• festivals					
• events					
• other					
Accommodation					
• B & B					
• campgrounds					
• hotels					
• lodges					
Restaurants					
• fast food					
• specialty					
• fine dining					
Interp Services					
• bus tours					
• guided walks					
Human Resources					
• first-aid personnel					
• guides					
• support staff					
Infrastructure					
• medical services					
• police stations					
• communications					

Chart adapted from "The Business of Eco-Tourism", C. Patterson, Explorer's Guide Publishing

Start with an area inventory

For you, the individual tourism business operator, these basic attractions of Yukon are valuable but they are only a starting point in developing your tourism product. You should begin with a formal assessment of your area's resources. This inventory includes scenic attractions, cultural events/activities, accommodations, infrastructure, interpretive services and the like. At left is one example of an inventory work sheet that can help you focus your efforts.

Assessing your product

If you were developing a river trip product, your inventory analysis may determine that a major waterfowl nesting area lies within easy reach of your proposed trip. You analyze this apparent opportunity, determine that it would add 2 days to the trip plus related costs. You would now turn to market research to see if there is a want, and to structure your trip to that want. You may find, for instance, that river trippers themselves are not interested in such a side trip but that an entirely different market segment might be interested in an inexpensive weekend trip specifically to watch birds. Your research indicates that your bird watchers usually travel as couples, are in their mid-50s, and

want a high-quality, comfortable experience. You will want to know whether the market segment is large enough, and what it is willing to spend. Now is also the time to determine if your competitors are already offering this kind of service/product, at what cost and to what percentage of the market. You would then take all you have learned and try to develop a unique, reliable product that is within your capacity to deliver and that is specifically tailored to the needs and wants of this market segment.

Be creative with your product

A creative approach to your product design is essential. Potential tourists are comparing your product to many other Yukon products, to Alaska products and to products of other countries. Your product must be different enough from the others to stand out. Establish a theme for your product, something that will express an image of the type of experience you are offering. Ensure that your product is of a quality and reliability that will make it attractive to the travel trade (that group of wholesalers and others who sell tourism products to travellers). Remember too that the motivation to travel is no longer merely escapism but enrichment – tourists want to experience something unique and different. They want to participate, not just observe; see the animals not just be told about them; run the river, not just look at it.

Fully describe your product

You can describe your product in several different ways. Make sure you are clear on the *want* which your product is aimed at satisfying so you can relate your product descriptions to markets where demand exists. This description should include:

- a general product description, listing all its components
- existing suppliers and their products (local, regional, national, international)
- resource requirement
- location
- markets (existing and potential)
- structure requirements (buildings, roads, other access)
- capital requirements
- limiting factors (regulations, laws and conservation requirements)
- opportunities for growth

(Source: Adventure Travel in Western Canada, Product Development Strategy; Tourism Research Group; 1988)

Be precise

When you describe your product, it is important to be precise. For example, *adventure travel* is a very general product description – too general to be useful to the business operator. *Wildlife viewing* is more precise but you can aim at even more precision by getting to the level of bird watching, caribou watching, and bear watching. For most businesses, this level of detailed product description will be required to make the description useful to your market plan.

Advantages of product description

There is a strong link between tourism training and product development. Tourism product always involves delivery of a service and these services are always delivered by people. The quality of the service will depend on the skill level, enthusiasm and commitment of the operators and their employees. So, product development almost always includes people development. Check with the Yukon Tourism Education Council to find out about tourism training and industry certification.

No end in sight

Product development for your business starts when you first conceive of your business idea and it should go on as long as your business operates. Tourism is a dynamic, evolving and constantly changing industry, and it is critical that your products evolve with it. For your continued success, you must stay abreast of changes and trends, communicate with your customers, actively seek their feedback, and monitor growth or decline within your sector.

3.12 Channeling your business

Intangible and perishable products

SELLING YOUR TOURISM PRODUCT can be a daunting task. In addition to pricing, promotions and advertising, you must consider the issue of distribution, or place as it is referred to in the 4 Ps of marketing *(Fact sheet 3.8)*. And, a tourism product is not the same as many other products. For one thing it is often intangible—a night at a bed & breakfast, a trip down a river, a tour through a cultural camp. For another, tourism products are often perishable—if they are not sold by a certain date, they are worthless. After all, once the tour bus leaves, empty seats stay empty. It is important to establish an effective means of distribution before your product reaches its expiration date.

Selling direct to your customer

For large operators such as major airlines and cruise lines, selling direct to the tourist is an attractive way to distribute their product. These companies are large enough to afford the huge advertising costs and other overheads of direct distribution. There are also situations where direct sale makes sense for small operators. Gift shops with high traffic locations will sell primarily to walk-in tourists. Advertising in the *Yukon Vacation Guide, The Milepost* and other publications is another way of selling direct. There are also consumer trade shows at which you can sell your tourism product. However, many tourism products from small businesses can be more efficiently and effectively distributed to a world-wide audience of customers using the industry's channels of distribution.

Three main channels of distribution

Unilateral distribution system

The unilateral system of distributing your tourism product is the simplest. There are no intermediaries; you sell directly to your customer. Advantages to you are simplicity and maximum profit, since there are no other arrangements to make and no commissions are paid. Advantages to the customer fall to those who prefer dealing directly with an operator, as this gives them a greater sense of personal involvement and control over their plans. The disadvantage to you is that you alone are responsible for making the sales.

The bilevel system places one intermediary between you and the consumer. This is usually a travel agent or a tour operator, but can also be a department store or other retail outlet. In the Yukon, this retailer is likely to be an *inbound receptive tour operator* who specializes in providing package tours for incoming tourists. The major advantage of the bilevel system is the access it gives you to the retailer's chain of regional sales offices. Having your product represented throughout this chain can give you a much broader reach into the market than you can do on your own. An additional advantage is that many consumers feel more secure in being advised by an *independent* retailer when making their travel plans. They feel they are getting both professional and personal service. Additionally, the retailer can advise the customer about his options and then make *all* the necessary travel arrangements. The disadvantage to you is that you must pay a commission to the retailer–usually about 10%–for all sales he generates.

Bilevel distribution system

The multilevel system is the most complex, involving two or more intermediaries, and is used primarily to sell tour packages–products that are themselves a bit complex. Typically, you sell your product to a tour operator (the wholesaler). He will package it together with other tour components like meals, accommodation, transport, and then sell the package to consumers through a retailer. Another intermediary, such as a travel club or convention planner, is sometimes involved in planning the package. These people are known as *specialty channelers*. The advantage of the multilevel system to customers is even greater savings. This is made possible by the heavily discounted price the wholesaler pays for your product in the first place. Even after his markup and allowance for commissions, the package price to the customer is lower than if he were to buy all the components separately. The disadvantage to you–a substantially discounted price on your product sales–is usually turned to advantage by the fact that your product is bought in bulk, paid for in advance, and made more attractive by being packaged with other products. And, you leave all the sales arrangements to someone else.

Multilevel distribution system

3.12 Channeling your business

The travel trade

This tourism industry distribution system is often referred to as the *travel trade* and may consist of tour operators, wholesalers, inbound receptive operators, travel agents, visitor bureaus and travel associations. As in other industries, wholesalers and retailers are used as intermediaries between yourself–the supplier, and your customer–the consumer. Unlike other industries, however, tourism wholesalers often package several products into new ones, while retailers do not actually purchase or mark up products. In fact, travel retailers function like sales agents and are paid a percentage of the sale price, a commission, for every sale they make. In addition, your customers are free to bypass intermediaries and purchase the product directly from you.

Advantages

This distribution system can work to the advantage of the small tourism operator. The travel trade is active all the time buying, selling and trading tourism products and packages. The trade could be selling your summer tourism product during the winter when it is 40° below and the snow is two feet deep. There are huge industry trade shows where the travel trade gets together to buy and sell product. Your access to these markets is through the travel trade.

Meeting standards

Getting your product introduced to the travel trade will require proof of its quality and the capacity of your business to provide it consistently. This may make it difficult to get a new product and a new tourism business operation into the hands of a wholesaler until a track record is established. You will be required to maintain a product standard that is acceptable to the travel trade that you are dealing with. This standard will be set by the consumer. In the European Union, for instance, there is *Consumer Protection* legislation for tourists that requires all tourism products sold in Europe to meet specified standards and to be delivered in exactly the way they are advertised and packaged. As you deal with wholesalers, they will inform you of the product standards that are required.

Accounting for commissions

If you deal with the travel trade, you will need to do some special price calculations to ensure that your business still gets the *profit margin* it needs.

Example:

Cost of tourism product	100.00
Your expected markup *(this is your profit)*	25.00
Net amount you must receive	$125.00
Retail selling price to tourist	180.00
Less: Travel agent commission (10%*)	18.00
Less: Wholesaler commission (20%*)	36.00
Net amount paid to your business	**$126.00**

**commission percentages are estimates. These can usually be negotiated*

Calculate the "true" costs

If there is a cost overrun or any reduction in the selling price, your profit margin will be reduced. The selling price will depend on the prevailing market value for your tourism product. Make sure to gather current information in your market research about prices and commissions so you can accurately calculate the net amount you will receive from the sale. If this net amount is *less* than the cost of delivering the product plus the profit margin you expect, then there is a problem. Take care in calculating the *true* cost of your product. Do not forget the indirect costs, such as the cost of getting your bookkeeping done, which have to be recovered from the sale.

New distribution channels

The costs of travel distribution – about 22% of the total retail bill – are high compared to other industries like manufacturing (6%). These high costs, coupled with new technologies, have combined to spawn new distribution channels in the travel marketplace. Airlines and hotels have been quick to use the Internet to secure business directly from their customers, at a lower cost to themselves. Travel is one of the largest components on the Internet, making up fully one quarter of all sites – and travel site visits are high among web users. The question now is who will buy and sell travel over the internet. The entrepreneur would do well to consider the implications for his own business of direct sales via the internet.

3.13 Communicating with your customers

Advertising and promotion

TOURISM MARKETING consists of market research, product and market development, establishing a distribution channel, pricing your product and communicating with your customers and potential customers. This last component, communications, is traditionally viewed as Promotion, one of the 4 Ps in the marketing mix. It is the area of marketing which most tourism businesses deal with on a day to day basis. It is normally the item that appears as Advertising and Promotion on a business's Income Statement–or as Marketing Activities in your marketing plan.

Know your target market

Marketing activities are aimed at telling your target market about your product. The only way to do this effectively is to have a clear picture of who your target market is. You have to know their habits and pastimes, what magazines they are likely to read, what radio stations they listen to, whether or not they are likely to research your product on the internet. You have to determine if they are likely to make a decision to purchase your product before they leave home or after they arrive in the Yukon–and do your selling accordingly.

When, where and why

You must know when and where your customers make the decision to buy your type of product and what the *influences* are which help them decide. Children can be a major influence when buying decisions are made. If your target market includes families who are likely to travel with children, you may want to consider communication which reaches children as well as adults.

Setting objectives

Many business owners are tempted to skip directly to developing promotional materials without first setting their marketing objectives. This could be as fatal to the success of your business as proceeding without first defining your target market. Setting objectives provides you with direction and focus and helps you measure the success of your activities.

Develop an image

The first step in developing any promotional materials is to consider the theme or image you want to project. This image should reflect the ways you have positioned your product or business. This image should begin with your logo and be applied to all your business collateral – letterhead, invoices, business cards, signage, etc. This is one area in which you can get invaluable help from a professional advertising or design agency. The costs can be relatively high, but remember that a logo or *look* that accurately projects your business will work for you every time it is seen by a potential customer, selling the *idea* of your business even before the details are scanned.

Making an impression

The impression your communication makes on the potential customer is as important as the details of the product you are offering. For instance, it has been shown in many tourism surveys that one principal customer concern is safety and security. Your communications can convey this important impression in a subtle way by using images which your target market will associate with safety and security. Professionalism is generally associated with safety and security, so including logos of any certification organizations with which you are affiliated will promote the idea of both professionalism and safety. Sometimes messages will be received by your potential customers in an emotional rather than intellectual way. The impression that your business, for example, is built on a long tradition and cultural practice in your own family or community, may help people relate to your product in a positive, emotional way.

Advertising budgets

Your budget for advertising and promotion will likely be related to the sales volume of your business. It would be common for a tourism business to have an advertising budget of approximately 2-3% of gross sales. So, for a business with sales of $200,000, the annual advertising budget amount would be $4,000-$6,000. The fact is, you do not get a lot of advertising and promotion for this scale of budget. It is essential that these limited advertising dollars reach the intended target market in order to maximize the chance of selling your product.

Stretching your budget

Cooperative advertising can often stretch your budget. By spreading the cost of advertising among

several businesses, the cost per business tends to drop. Cooperative advertising is sometimes organized by Government agencies; for instance, advertising at foreign trade shows. Industry Associations commonly offer cooperative advertising as a service to its members.

Your promotional tools

The promotional tools you will use in your communications include direct sales, brochures, internet presence, signage, print media (newspaper and magazine advertising, directories) trade shows, television/radio and publicity. We will briefly examine four of the most important of these.

Direct sales

These can be made by mail, phone, fax , internet or in person. Stay focused on your most important target segment. Ensure that your are using qualified phone or mailing lists, based on your own customer tracking or on a meaningful characteristic of your target group. If the list is too large for a complete mailing, do a random mailing of 10%, or some other significant number. If you get a response rate greater than 7%, then increase your mailing. Direct sales are especially important when you are selling to wholesalers or agents. These groups should always be followed up with a phone call or personal visit.

Brochures

These are sometimes called *lure* pieces. When writing and designing these, it is important to remember your themes and your audience. Try to develop copy that sells to a feeling. People want to read about the personal benefits they will receive, not just a list of features. When you give information, make sure it is real and not just fluff. Again, a design firm or ad agency can be of great help here. Remember, if you are trying to appeal to an up-scale market, then your brochure must look that way too. If it has a *home-made* look, then it will deliver that same message about your business before anyone even reads a word.

Internet

This is a fast growing – and cost-effective – advertising medium. The cost to develop your web site is incurred once and the on-going cost to have it carried on a *server* is moderate and is not limited by time or the number of people who access it. The keys to developing and designing your web site is to make it easy to access, easy to upload, have plenty of information and keep it well organized. Check with internet providers in your area for more information.

Print media

This is often one of the most important marketing activities. It is generally cost-effective, but requires proper timing, message and design. It can put your message in front of a lot of people for very little effort. Timing is critical. You often need to be a season ahead with your communications plans. This will allow you to choose between all of the available media. The Milepost magazine, for example, requires ads to be submitted almost a year before publication. Local newspapers require only a few days advance submission of advertising materials.

Legal considerations

In your communications, there are legal requirements you must meet, designed to protect consumers from false or misleading advertising. Be certain that you can deliver what you promise in your ads. If there is some uncertainty, avoid specific details about products which you may not be able to deliver. You should also be aware of European Consumer Protection legislation.

Follow up

Be sure to check up on the effectiveness of your advertising. If possible, include some device in your ad that will tell you that people discovered your product through that particular communication. For example, a printed ad which includes a coupon for 10% off will give you an idea of the response rate from your ad. Monitoring your advertising performance and making adjustments will help ensure that you get the best value for your advertising dollar.

FOR MORE INFORMATION

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